No. 28,688

FINANCIAL TIMES

PUBLISHED IN LONDON AND FRANKFURT

Monday February 1 1982

CONTINENTAL SELLING PRICES: AUSTRIA Sch. 15; BELGIUM Fr 30; DENMARK Kr 6.00; FRANCE Fr 5.00; GERMANY DM 2.0; ITALY L 1,000; NETHERLANDS Fl 2.25; NORWAY Kr 6.00; PORTUGAL Esc 50; SPAIN Pta 85; SWEDEN Kr 6.00; SWITZERLAND Fr 2.0; EIRE 42p; MALTA 30c

NEWS SUMMARY

GENERAL

PLO raid endangers Lebanon ceasefire

The ceasefire between Israel and the Palestine Liberation Organisation in the Lebanon is in danger of breaking down after a PLO raid from Jordan into the Israeli-occupied West Bank.

Israel captured three of the six PLO guerrillas. Page 2

Israel's Cabinet yesterday accepted participation by Britain, France, Italy and the Netherlands in the Sinai peace force.

PC in hospital

Constable Ian Bennett was in hospital with a fractured skull and facial injuries after being hurt in gang fighting in Bristol on Saturday in which petrol bombs were thrown.

Snow deaths

A snow avalanche near Salzburg killed at least eight West German schoolchildren taking skiing lessons. In Quetta, north-west Pakistan, seven died in the worst snowstorm in 20 years.

U.S. 'despised'

The U.S. is ignored, despised and revilled and without reliable allies in the United Nations, Jeane Kirkpatrick said after a year as U.S. ambassador there. Back Page

Harmony hopes

Pakistan accepted an Indian proposal to set up a joint commission on relations between the two countries.

Postal rates rise

Mail prices rise today. Sending a first-class letter will cost 15½p, and a second-class letter 12½p. Page 3

Shadow Budget

The Labour Party is considering publishing a shadow Budget, detailing what it would do to stimulate the economy and cut unemployment.

Airport protest

German police used water cannon and batons to break up a crowd of several hundred protesting at the building of a new runway at Frankfurt Airport.

Cheap flights plan

A plan to allow charter airlines to sell some cheap seats direct to the public rather than with package holidays will be the subject of public hearings next month. Page 3

Fast 'over'

Soviet doctors said Lydia Vashchenko, in a Moscow hospital after a hunger strike in the American embassy while seeking permission to emigrate, had ended her fast.

Penitent platoon

Iran is to form a battalion to fight Israel, made up of Iraqi prisoner-of-war volunteers who want to "make up for their past mistakes and fight blasphemy."

Paper money

Daily Mail City editor Patrick Sergeant was paid £255,646 in the year to last September—up £112,104 on the year before. Back Page

Let's tryst again

Okehampton, Devon, council is to rebuild a park shelter demolished by a falling tree so courting couples can use it again.

Briefly . . .

England were 249/4 at the end of the second day of the sixth Test against India. Rain stopped play.

Two Indian murderers were hanged, the first New Delhi executions in over four years.

Golden Globe (Hollywood Press) awards went to Henry Fonda, Dudley Moore, John Gielgud and Meryl Streep.

BUSINESS

Indonesia to receive £125m UK credit

● BRITAIN has signed its biggest ever trade credit for Indonesia worth $225m (£125m) to help expand oil production. Back Page

● U.S. BOND prices were marked down sharply at the weekend and short-term interest rates tightened following release on Friday of U.S. money supply figures, showing a fall of only $600m in M1. Page 18

● NIGERIAN oil output has been cut by 15-20 per cent due to a main pipeline leak. Page 2

● BRITISH GAS has begun negotiations for new North Sea supplies at more than twice the present average price. Back Page

● BRAZILIAN State of Sao Paulo is seeking to tap Arab capital for the $160m (£85m) it needs to finance railway projects.

● BRITAIN would face economic disaster if it left the European Community, which buys 60 per cent of UK exports, CBI chief Sir Terence Beckett warns.

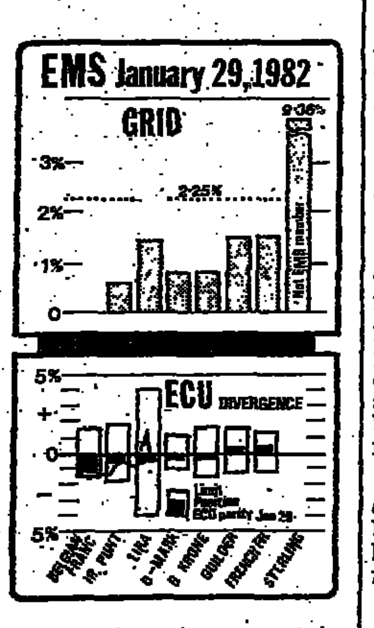
● HERON CORPORATION has been lobbying support over the weekend from Jack Gill, former chief of Associated Communications Corporation, for its £46.6m bid for the company. It will appeal this week against last week's court decision favouring Mr Holmes à Court. Page 16

● JAGUAR sold a record 600 cars in the U.S. during January and is taking on another 400 workers at Coventry and Castle Bromwich. It plans to sell 9,000 cars in the U.S. this year, doubling 1981 sales.

● PRUDENTIAL Assurance Company is raising its premium rates for private cars by 9.3 per cent. Page 21

● MRS THATCHER is expected to defend her government's exchange controls policy on Wednesday when she chairs a meeting of the National Economic Development Council. Page 4

● IRELAND'S punt lost ground to other currencies in the European Monetary System last week, but did not come under any heavy pressure after the defeat of the Fine Gael Government. The Belgian franc remained the weakest EMS currency, falling sharply on Friday, although staying well within its divergence limit. The D-Mark advanced slightly, trading around the middle of the system, while the French franc and the Dutch guilder finished almost together at the top end.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid based on the weakest currency in the system defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU) itself a basket of European currencies.

CONTENTS

For latest Share Index phone 01-246 8026

Opposition hardens against early entry of sterling to EMS

BY DAVID MARSH AND MAX WILKINSON

MRS MARGARET THATCHER and the Treasury have stiffened their opposition to the idea of bringing sterling into full membership of the European Monetary System in the next few months.

This means the Government is highly unlikely to make a decision to join Europe's exchange rate stabilisation scheme as part of the March Budget, as was previously thought.

Several Ministers on the Cabinet's crucial economic committee, as well as Mr Gordon Richardson, the Governor of the Bank of England, would still like Britain to join the EMS.

The Foreign Office, however, is now thought to be less enthusiastic about the political advantages of membership — especially at a time when Britain is again embroiled with its EEC partners in a dispute over the Community budget.

A further reason against any early decision to join for the time being is that sterling is still thought to be far too high against the D-mark.

The Treasury and the Bank of England are giving much more priority to keeping sterling stable as a major part of the fight against inflation.

Officials argue that most of the advantages of joining the EMS can be reaped by continuing the present informal exchange rate policy, which avoids the risks and inflexibility of a publish target.

The pound has remained in the range of 89 to 92 on the basis of its index against a trade-weighted basket of currencies for most of the past three months.

Officials are pleased that the Bank has managed to keep sterling steady in spite of the modest reduction in UK interest rates in December and again last month.

They say there is no great incentive at the moment to switch to a more overt exchange rate policy.

Supporters of the EMS argue that membership could give a respectable clothing to the shift from money supply to exchange rate targets which has already occurred.

But the Treasury has emerged from recent debates sceptical about the advantages of joining for several reasons.

● Officials believe the pound would need to fall to around DM 4 or less (compared with the present rate of close to DM 4.36) to restore some of British industry's competitive position on the Continent.

● Some officials say there would be disadvantages in being tied too closely to West German policies, in respect of the dollar, interest rates and the domestic monetary stance.

● Membership of the EMS might require much more Bank of England intervention in the currency markets. There is considerable scepticism in the Treasury about the effectiveness of intervention in markets subject to very large flows of short-term capital.

● There is anxiety that an EMS target could be a hostage to fortune. After the Government's repeated failure to hit its monetary targets, it could be politically embarrassing if it proved necessary to withdraw from the EMS after a short time.

Rodgers criticises Aslef

BY PETER RIDDELL AND BRIAN GROOM

THE TRAIN drivers' union at the centre of the British Rail dispute was yesterday attacked for its "suicidal" and "bloody-minded" attitude by Mr Bill Rodgers, one of the Social Democratic Party's collective leadership and a former Labour Transport Secretary.

The fourth week of strikes by the Associated Society of Locomotive Engineers and Firemen started yesterday with no sign of any new moves to break the deadlock in the pay and productivity dispute.

The outspoken comments by Mr Rodgers come at a critical time in the internal debate in the SDP leadership about its attitude to the unions and, in particular, about whether it should support the Government's Employment Bill.

Mr Rodgers argued that, as Transport Secretary from 1976 to 1979, he had kept "open the door for major new investment in the hope that progress towards greater efficiency would continue. But no sane Government will invest in electrification and renewal if a handful of men and a bloody-minded union break agreements and exploit their bargaining power."

His intervention reflects a view that the SDP should take a stand wherever there are clear cut questions and a generally tougher attitude on union issues than some of his colleagues.

There are divisions on industrial relations within the SDP leadership. One group — notably Mrs Shirley Williams and a few ex-Labour MPs with close union connections — is reluctant to offend the unions and to support policies which can be presented as "union-bashing," and which might lose the support of working-class voters.

Another group — including Mr Roy Jenkins and Mr Bill Rodgers—believes that it does not matter if the SDP offends the unions, provided that its policies reflect genuine popular feeling and do not involve impractical commitments.

The divisions have surfaced over the Employment Bill, published last Thursday, which is broadly favoured by many in the Jenkins/Rodgers group. The SDP attitude is likely to be resolved in discussions this week.

BR yesterday made the first attempt to reduce its losses by bringing only 15,000 maintenance staff to work, instead of the 60,000 rail workers who usually work on a Sunday.

This will save BR more than £1m. The strikes on Wednesdays, Thursdays and Sundays have so far cost the railways abut £54m in lost revenue—which rises to nearer £80m if outgoings, including staff costs, are taken into consideration.

The Aslef executive is due to meet today and the BR board tomorrow. But each side appears to be waiting for the other to make a move.

Tebit Bill faces challenge, Back Page
SDP-Labour coalition 'possible,' Page 4

Industry becoming more confident

BY DAVID MARSH

BRITISH INDUSTRY appears to have become cautiously more confident about business prospects in the past couple of months, after a setback at the end of last year.

The Financial Times survey of business opinion, published today, indicates an improving trend of orders and deliveries, though only by comparison with last year's very low levels.

Companies interviewed were in the electrical engineering, durable goods and stores, and consumer service sectors.

A key factor behind improved optimism has been the recent gentle decline in interest rates. Additionally, the lower value of the pound against the dollar has led to a sharp recovery in export prospects. Industry is complaining still, however, that sterling is at an uncompetitive level against Continental currencies.

The latest survey was conducted before the Bank of England's action to encourage a half-point cut in banks' base rates 10 days ago.

Reflecting the still very poor employment outlook, most companies still expect to cut workforces. The imbalance compared with those planning to recruit labour, however, is less than at any time since the summer.

The pick-up in demand has prompted a slight worsening in the prospects for wage inflation. The average expected level of pay rises over the next 12 months has movd up to about 8 per cent, compared with 7.5 per cent previously.

Companies still expect to boost prices by close to 9 per cent over the next 12 months, unchanged from the last survey.

John Elliott writes: Few signs of any general recovery in industrial activity have emerged in the past three months and most companies see little prospect of manufacturing output lifting rapidly off the bottom of the recession.

These are expected to be the main conclusions of the Confederation of British Industry's quarterly industrial trends survey, to be published tomorrow.

They will reinforce the confederation's determination to persuade the Chancellor of the Exchequer to provide a £1.5bn to £2bn boost for industry in the Budget.

Destocking is still continuing across a wide area of industry, as a faster rate than had been hoped late last summer.

Business optimism seems, however, to have recovered somewhat from its low point in the last survey, three months ago, when industry was reacting to sharp increases in interest rates. The slow but gradual fall in rates since then has corrected that strong reaction.

Companies are continuing none the less to predict further widespread falls in the number of people they employ. This is adding urgency to the work of the confederation's recently-created steering group on unemployment.

In a statement issued at the weekend Sir Richard Cave, chairman of Thorn EMI, who heads the group, appealed to companies to submit ideas on how unemployment could be tackled.

Sinn Fein to put up election candidates

BY BRENDAN KEENAN, DUBLIN CORRESPONDENT

PROVISIONAL Sinn Fein — the political wing of the IRA —is to put up candidates in selected constituencies in the Irish general election.

Friends and supporters of Mrs Bernadette McAliskey are encouraging her to stand for election, possibly in the Dublin constituency of Mr Michael O'Leary, the Labour Party leader, or against Mr Charles Haughey, the opposition leader.

Sinn Fein will decide later this week where to put up candidates but the most likely choices will be the border constituencies and some Dublin areas. It may fight as many as six seats and could re-nominate the H Block prisoner Mr Paddy Agnew, an outgoing TD (MP) for Louth.

Dr Garret FitzGerald, the Irish Prime Minister, said he would welcome Sinn Fein candidates if they stood "without an Armalite rifle in one hand." This is a reference to Sinn Fein's last annual conference, at which it dropped the ban on standing in elections. One speaker said it would take power, "with a ballot paper in one hand and an Armalite in the other."

The Provisionals were encouraged by the succes of H Block candidates in last June's election when they took two seats and polled well in others.

That success surprised many observers but it is still felt that they are unlikely to win seats without the emotion engendered by the hunger strike.

Sinn Fein candidates will not take their seats if elected, but Mrs McAliskey is understood to favour trying to get elected in order to give Northern Ireland a higher profile in the Dail (parliament). Her undoubted popularity could pose problems for Mr O'Leary if she runs in his constituency

Mr Michael O'Kennedy, Ireland's EEC Commissioner, has been granted leave of absence to fight the election. Mr O'Kennedy, a former Fianna Fail Minister for Foreign Affairs and Finance, will be entitled to return to the Commission if defeated but his intervention could mean a vital extra seat for Fianna Fail in Tipperary.

One of the two Protestants in the outgoing Dail has decided not to seek re-election. He is Mr Jim White, a Fine Gael member for Donegal.

New talks on Ulster, Back Page

Fall in U.S. rates forecast by Regan

By Anatole Kaletsky in Washington

U.S. INTEREST rates will fall "well below" their present levels by the end of the year, according to a firm prediction by Mr Donald Regan, the U.S. Treasury Secretary.

Speaking on CBS Television, Mr Regan said that although it was impossible to guess future interest rates with any accuracy he was "absolutely confident" that the "prime rate will be well below its present 15¾ per cent by December." He also predicted that year-on-year inflation would be between 7 and 8 per cent by then compared with the 8.9 per cent recorded last December.

Mr Regan's conviction echoes the promise of lower interest rates made by President Reagan in his State of the Union message last week. It contradicts the views of many economists outside the Administration, who think that interest rates may start to rise again as soon as the economy begins to pull out of recession.

However, the public commitment of President Reagan and Mr Regan to lower interest rates in the coming months is now so strong, that it may be intended as a signal to the Administration's critics and to the Federal Reserve that the President would not tolerate a repetition of the sort of jump in interest rates which occurred last spring.

Mr Reagan said again yesterday that although he agreed with the Fed's monetary targets he believed it had not been "consistent" in trying to achieve these targets.

He repeated that this was not a personal criticism of Mr Paul Volcker, the Fed's chairman. "We must remember that Paul Volcker has only one vote on the Federal Reserve Board."

But the Fed had "very blunt tools and we have asked them to see if they can sharpen these tools."

Although the real meaning of the Administration's criticisms of the Fed remains unclear, it seems certain from recent comments of the President and Mr Regan on interest rates that the change in Fed policies that they are seeking is one that would reduce the level of interest rates.

The Administration believes that a fall in interest rates would be entirely consistent with the continuing pursuit of the Fed's monetary targets

Continued on Back Page

14 injured as police clash with youths in Gdansk

BY CHRISTOPHER BOBINSKI IN WARSAW

POLISH POLICE clashed violently with youths in the Baltic port of Gdansk on Saturday during a demonstration which left 14 people injured, including eight policemen, according to the official Polish news agency PAP.

The agency, which quoted an Interior Ministry communique, said that 250 people had been arrested after the demonstration, the worst clash since martial law was declared on December 13. The communique said the organisers of the demonstration, mainly high school students, were "inspired by the propaganda of the U.S. Administration."

The communique said that groups of "young people tried to provoke street demonstrations near the Lenin Shipyard when people were going home from work." This would mean that the incidents started at about 2 pm, the end of the first shift at the shipyard.

"Slogans were shouted and anti-Government leaflets distributed," the communique said, but it did not provide further details. "Passers-by did not show a great deal of interest," according to the communique. Despite this the clashes appeared to last for about six hours as the communique said that "calm returned to the city at 8 pm."

The curfew has been extended in Gdansk from 8pm until 5 am.

At one point the clashes between the police and demonstrators shifted to the Gdansk old town about one kilometre away from the shipyard. The communique said that the security authorities intervened after the demonstrators refused to heed appeals to disperse and "attempted to attack public buildings."

The fact that the authorities have chosen to report the incidents on the eve of the introduction of price increases shows that they are reasonably confident that the news will not provoke disorders elsewhere.

Even if the situation has calmed down in Gdansk, this is the first sign of active resistance to the authorities since the last strike against martial law ended on December 28. It would appear that in Gdnask, at least, the population has not yet accepted the military regime.

Schmidt to remain leader despite coalition bickering

BY JONATHAN CARR IN BONN

CHANCELLOR Helmut Schmidt of West Germany has made it clear he wants to remain government leader, but is tired of the bickering in the ranks of his ruling coalition.

In a speech this weekend in Hanover at a meeting of his Social Democratic Party, Herr Schmidt said he had been elected to office until 1984 and that he wanted to see the term through.

Renewed speculation arose about Herr Schmidt's future after the Chancellor had what a government official described as a brief attack of cramp at the weekend. The Chancellor was forced to break off his speech after 90 minutes, but later continued his programme.

Herr Schmidt said that "a ship with 27 or 30 people all wanting to be at the helm in the long run cannot be steered."

The Chancellor did not specify who he had in mind. But he is known to be greatly irritated by the haggling in the coalition on a new state programme to try to create more jobs.

The Social Democrat (SPD) and liberal Free Democrat (FDP) partners have been arguing above all about how the programme can be financed—although the liberals even have doubts about whether any such programme can be of much help at present.

These doubts are shared by the Bundesbank and many in German industry, although it still seems more likely than not that the Cabinet will decide on new employment measures at its meeting on Wednesday.

In an apparent effort to speed up an accord, Herr Schmidt told a private meeting of coalition negotiators last week that if no agreement on new employment steps were reached soon then he could not be counted on to stay in office.

This remark was repeated publicly by a senior SPD official, apparently in a further effort to rally coalition forces round the Chancellor but bringing a spate of Press reports that Herr Schmidt's resignation could be imminent.

OVERSEAS NEWS

Warsaw bids to cushion rises in food prices

BY CHRISTOPHER BOBINSKI IN WARSAW

THE POLISH authorities have decided to re-introduce price controls on a number of consumer durable goods, and have also ordered managers to pay workers their annual production bonuses in the coming weeks.

These moves are a bid to cushion the impact of drastic food and heating price increases, due to come into force today.

The rises come after a year in which the average growth in wages was wiped out by the rise in the cost of living and a significent section of the population suffered a drop in their standard of living as shown by official figures for 1981.

According to official calculations, the price of food will rise on average 241 per cent today while heating will on average be 171 per cent dearer. The authorities say the rises will to a large extent be compensated by cost-of-living increases. But the global figures do not hide the fact that many individual families will suffer a drop in their standard of living.

Some kinds of meat are due to go up by as much as 350 per cent while the rise in the cost of other food items will be around 250 per cent. In the past, rises less drastic than these have led to the fall of Communist Party leaders.

This time, the authorities are counting on martial law to pull them through. Convoys of armoured troop carriers have driven around the city from time to time in the past week to remind people of the dire consequences falling protesters.

The new price controls on household durable goods take away the right of some enterprises to fix prices independently of the central authorities. This right was granted as part of management changes which came in on January 1.

AP reports from Warsaw: Poland, which is facing a near-total lack of imported oil from Opec countries for the second year, is negotiating for the purchase of Libyan crude, the army daily Zolnierz Wolmosci has reported.

Walesa urges Solidarity protests against increases

BY OUR FOREIGN STAFF

LECH WALESA, detained leader of the Solidarity trade union, has advised colleagues still at liberty to make what protests they can at the steep food and energy price introduced by the Polish Government today according to reports from Warsaw.

But Mr Walesa apparently cautioned that protests should not give the military authorities the occasion to crush what remains of the union's organisation. Solidarity activists should focus less on political issues and more on union matters.

Underground Solidarity informants told Reuter that Mr Walesa had offered to open preliminary talks with General Wojciech Jaruzelski's martial law Government. But no such talks had started, apparently because the Government refused to allow Mr Walesa to be assisted by two key advisers who are still interned.

The authorities announced over the weekend a relaxation in some martial law restrictions. These will permit monitored telephone calls between Polish cities from February 10 and meetings for family occasions such as weddings or by organisations such as the Red Cross and the Church, without special permit.

In his regular Sunday message, Pope John Paul yesterday backed the Polish episcopate's call for an end to martial law and said civil rights in every field had to be defended.

Pipeline leak cuts Nigerian oil flow

By Martin Dickson, Energy Correspondent

NIGERIA'S oil production has been reduced temporarily by an estimated 15 to 20 per cent because of a leak in a pipeline supplying one of the country's main export terminals, according to reports reaching London.

The damage, which could take at least two weeks to put right, affects the pipeline supplying oil to the terminal at Forcados operated by the Shell-Nigerian National Petroleum Corporation partnership.

Shell has denied that the leak was the result of an explosion. There was no damage to persons or property and no suggestion of sabotage, the company said.

Nigeria is believed to have been producing about 1.3m barrels a day until the accident. It was not immediately known whether the country would step up production from other fields to make up the lost production. Nigeria has the capacity to produce about 2.3m b/d but output has been reduced sharply because of the current oil glut.

The leak will mean a drop of 25 per cent in production by Shell-NNPC, which also exports oil via a pipeline to a terminal at Bonny.

Promising find for Egypt in Western desert

By Anthony McDermott in Cairo

SHELL Winning NV, a wholly-owned subsidiary of Royal Dutch Shell, has made an initially small but promising oil find in Egypt's Western desert.

Production so far is put at 6,000 barrels a day in the Badreddin concession, one of two which Shell has in the Western desert.

It is reported that the oil found is of higher quality than the prime Morgan blend produced in the Gulf of Suez.

New French ban on Italian wine

BY DAVID WHITE IN PARIS

FRANCE haas imposed a temporary ban on customs clearance for Italian wine imports—the second in six months. It has resorted to the measure in a bid to quell renewed protests from French winegrowers.

The measure has succeeded in securing a truce with the growers, who in recent weeks have again started to sabotage Italian wine shipments. But it threatens to re-ignite the diplomatic "wine war" between Paris and Rome, which broke out last August when the French blocked 100m litres of Italian wine waiting in Mediterranean ports.

M André Cellard, Secretary of State at the French Agriculture Ministry, is due in Rome on Thursday to discuss the crisis, provoked by a recent rise in the volume of Italian wine reaching France at prices below local market levels.

After being threatened with legal action by the European Commission, France signed a pact with Italy last October, pledging to release within two months the wine shipments that were then held up. The two sides promised to try to avoid a repetition of the conflict.

M Jean Huillet, leader of the "action committee" in the wine-growing Hérault department in South-west France, announced at a rally on Friday that the Government had promised to stop imports for "two or three weeks." Officials later confirmed that clearance was being suspended.

The growers are disappointed with the results of measures announced last autumn. These include a planned levy on mixed wines, which are often strengthened with Italian produce.

The French authorities have meanwhile given guarantees to Spanish lorry drivers carrying farm produce into France, offering rapid compensation for damage caused to their vehicles or loads by protesting French farmers.

A demonstration by Spanish lorry drivers at border posts between the two countries coincided at the weekend with a demonstration, on the other side of the frontier, by French lorry drivers protesting against customs delays.

Some 3,000 lorries, many of them abandoned, clogged the frontier, 2,000 of them on the Spanish side. After five hours of talks on Saturday traffic was allowed to resume on the main cross-border roads.

France's current account deficit widens to £3.8bn

BY OUR PARIS STAFF

FRANCE ENDED last year with one of its worst-ever monthly trade performances — a reasonably adjusted deficit of FFr 7.9bn (£714m) in December.

Although the year's total trade shortfall remains slightly lower than the previous year's —FFr 59bn (£5.3bn) compared with FFr 62bn — figures published by the Foreign Trade Ministry at the weekend show an increase in the gap on the balance of payments current account.

The current account deficit for 1981 rose to FFr 42.6bn (£3.8bn) from FFr 33.1bn (£2.9bn) the year before.

The traditional French surplus in the service account, which for the last three years has helped to offset trade shortfalls, dropped back to FFr 30.1bn from FFr 35.2bn in 1980.

December's trade gap was sharply higher than the FFr 6.7bn registered in November.

Imports for the year rose by 15.4 per cent to FFr 637.7bn, while exports grew by 17.5 per cent to FFr 578.6bn.

The December figures, however, show a much less favourable year-on-year performance, with imports almost 22 per cent higher than in December 1980, and exports a relatively modest 14.1 per cent higher.

Italy blocks move to take Europe's MPs to court

BY JOHN WYLES IN BRUSSELS

ITALY has decided to block a move by the European Community's Council of Ministers to take the European Parliament to court over its adoption of the Community's 1982 budget.

The Italian action means that European Court cases will now have to be initiated by individual member Governments. Eight have come out in favour of court action challenging the Parliament's procedure over the 1982 budget.

A meeting of senior officials today should show whether all Governments will make their full monthly payment into the Brussels budget this week now that joint proceedings by the Council of Ministers have been ruled out. In a similar conflict last year, France and Belgium withheld part of their budget payments for several months on the grounds that the budget had been adopted illegally.

Italy is believed to be blocking the Council move, which was agreed in principle last Tuesday, largely because it does not believe the Parliament has acted illegally. During the last few days a number of Italian Christian Democrat members of the Parliament are thought to have put pressure on the Rome Government to stay its hand.

OBITUARY

Junzo Ohnoki of Nihon Keizai

BY OUR FOREIGN STAFF

● Mr Ohnoki: Presided over period of rapid growth

Junzo Ohnoki, President of the Nihon Keizai Shimbun, Japan's leading financial newspaper, died of heart failure in Tokyo late on Thursday last week, aged 70.

Mr Ohnoki, who had worked with the "Nikkei" and its predecessor since graduating from Waseda University in 1934, became President of the newspaper group in 1976.

He became President of the Japan Newspaper Publishers' and Editors' Association in 1979.

After serving as "Nikkei's" bureau chief in Singapore during World War II, he became deputy managing editor in 1946 and a director of the company in 1954. He is credited with presiding over a period of rapid growth and diversification for the group.

The board of Nihon Keizai announced on Friday that Mr Ko Morita, 57, is to be Mr Ohnoki's successor.

Mr Morita, who is at present executive managing director, has worked in Delhi, New York and Osaka for "Nikkei." He has for the past decade been responsible for establishing the company's data bank and information systems.

The Nihon Keizai Shimbun has a daily circulation of 1.9m. Among its seven or eight other weekly publications is the English-language Japan Economic Journal.

PLO raid endangers Lebanon ceasefire

By David Lennon in Tel Aviv

THE CEASEFIRE between Israel and the Palestine Liberation Organisation's forces in the Lebanon is in danger of breaking down following an unsuccessful Palestinian guerilla raid from Jordan into the Israeli-occupied West Bank over the weekend.

Officials in Jerusalem said this infiltration was the most serious violation of the ceasefire since it was arranged last summer by the U.S. mediator, Mr Philip Habbi.

Three members of the six-man guerilla squad were captured on Saturday, a day after they crossed the borded and planted mines on the frontier road. The other three Palestinians are believed to have returned to Jordan. The mines were discovered and dismantled by the Israeli army.

General Yehoshua Saguy, Director of Military Intelligence, reported that the guerillas had been trained at Damour near Tyre in Lebanon and that they belonged to Fatah, the main military arm of the PLO.

Western diplomats and military experts were concerned yesterday that Israel might view this raid as justification for an attack on the Palestinian forces in Lebanon.

Jerusalem has complained repeatedly about a build-up of PLO forces and weapons in southern Lebanon in recent months. There have been clear indications for some time that Israel would like to launch a major military operation against them.

The Cabinet discussed the raid yesterday, but no details were made public. It is understood that Mr Menahem Begin, the Prime Minister, held consultations on the issue with his Foreign and Defence Ministers on Saturday night.

● Israel agreed yesterday to permit British, French, Dutch and Italian military units to help keep the peace in Sinai after Israel makes its final withdrawal in April and the entire peninsula reverts to Egypt.

WORLD TRADE NEWS

More bilateral aid 'should be tied to buying UK goods'

BY PAUL HANNON

MORE BILATERAL aid to less-developed countries should be tied specifically to the purchase of British goods and services, according to a report published in the National Westminster Bank Quarterly Review today.

Written by two Scottish university lecturers, the report examines the British experience in obtaining orders directly from countries to which aid has been donated.

Britain, apparently, has not benefited as much as some of its fellow-donors in terms of clawing back commercial orders.

For the period 1975-79, some 70 per cent of the bilateral financial aid Britain gave to less-developed countries was tied either fully or partially to the purchase of British goods and services, while multilateral aid was almost fully untied.

The bulk of tied and partially-tied aid is channelled through the Crown Agents, who act on behalf of the recipient Governments in putting out orders to tender among British suppliers. During 1975-79, these orders amounted to £848m.

While the Overseas Development Administration estimates that since its introduction in 1978 the provision of aid totalling £76m (up to February 1980) will have enabled UK companies to win export orders valued at about £243m, some 90 per cent of companies interviewed recently said aid only had a minor influence in stimulating trade.

"Untied multilateral aid has been increasing in relative importance over bilateral aid in recent years and as a result of the Government's policy to restrict aid funds, is likely to continue to do so.

"This is because it is easier to reduce the bilateral programme than to restrict British commitments to multinational bodies," the report says.

"Greater emphasis on tying any bilateral aid should, however, compensate for any loss of trade which may arise," the report adds.

If there is to be any significant increase in the returns achieved for aid donations, they will occur through tied bilateral agreements rather than through open-ended multilateral pacts.

The report notes, however, that some countries such as France and Japan have been far more aggressive than Britain in seeking out projects suited both to their own economic advantage and to the development needs of the recipients.

Britain is also "handicapped" by having traditional trading strengths in areas that are growing slowly.

An emphasis on the commercial benefits to Britain in aid pacts could result in diverting funds away from socially desirable projects, and consequently *undermine the entire rationale* of an aid programme in the first place, the report warns.

World Economic Indicators

TRADE STATISTICS

		Dec. '81	Nov. '81	Oct. '81	Dec. '80
UK £bn	Exports	4.702	4.790	4.550	3.999
	Imports	4.371	4.739	4.184	3.646
	Balance	+0.331	+0.051	+0.366	+0.353
Japan U.S.$bn	Exports	14.49	11.69	13.17	14.05
	Imports	12.97	11.82	10.26	11.66
	Balance	+1.52	−0.13	+2.91	+2.39
W. Germany DMbn	Exports	35.95	36.12	37.74	30.20
	Imports	30.81	32.17	32.40	29.20
	Balance	+5.14	+3.94	+5.34	+1.00
		Nov. '81	Oct. '81	Sept. '81	Nov. '80
France FFrbn	Exports	50.70	49.22	49.90	42.18
	Imports	57.40	55.57	57.50	47.49
	Balance	−6.70	−6.35	−7.60	−5.31
U.S. U.S.$bn	Exports	19.10	19.00	19.70	18.70
	Imports	23.50	24.30	21.20	20.70
	Balance	−4.40	−5.30	−1.60	−2.20
		Oct. '81	Sept. '81	Aug. '81	Oct. '80
Netherlands Flbn	Exports	15.685	14.905	12.683	12.871
	Imports	14.767	13.953	12.947	13.167
	Balance	+0.918	+0.952	−0.264	−0.296
Italy Lirebn	Exports	8,632	8,406	6,337	5,167
	Imports	[illegible]	[illegible]	[illegible]	7,511
	Balance	[illegible]	[illegible]	[illegible]	[illegible]

Sue Cameron analyses the reasons behind Europe's drive to diversify energy supplies

Why W. Europe needs Soviet gas

THE CURRENT issue of the Gaz de France house journal makes the somewhat startling claim: Il y a de la science fiction dans le gaz.

It goes on to explain—at some length—how the gas industry has always been a major inspiration to those who write about "world of tomorrow."

The January 23 announcement that France had signed a 25-year gas contract with the Soviet Union has certainly inspired some nightmarish visions of the future in the minds of U.S. leaders. American dismay at the prospect of France buying 8bn cubic metres of gas a year from Russia will not have been tempered by the knowledge that West Germany is to take 10.5bn cubic metres of Soviet gas annually and Italy 8.5bn.

The Soviets are planning to deliver a total of 40bn cubic metres of gas a year to Western Europe via their $15bn 5,500 metre Siberian pipeline system which is due to come on stream towards the end of 1984.

But the Americans fear the Russians may use the line as a political weapon. The Europeans point out that the Soviets need the hard currency their gas exports will bring and that they have an excellent record for meeting their contractual obligations. Some have argued further that if the international situation deteriorated to the point where the Russians decided to turn off the taps, then gas supplies would be the least of everyone's worries.

Yet there must be some risk for West European countries who rely on Soviet imports for a substantial proportion of their gas. How badly do they need the extra gas? Are there no alternative supplies from friendlier sources?

The brief answer is that a number of European countries have found themselves having to choose between the devil and the deep blue sea — or, rather, between Soviet Union and its wealth of gas and petroleum supplies of the Organisation of Petroleum Exporting Countries.

In 1980 oil met 51.3 per cent of Western Europe's primary energy demand and natural gas 14.7 per cent. Last year Ruhrgas, the West German utility, predicted that by the end of the century, oil's share of the West European primary energy market would have declined to 35.1 per cent while that for gas would have risen at least to 16.2 per cent.

The figures reflect the determination of a number of major West European nations to reduce their dependence on oil imports. France, West Germany, and Italy—the three who have already signed gas deals with the USSR—are particularly badly placed when it comes to domestic reserves of both oil and gas.

Last year oil accounted for some 45 per cent of West Germany's primary energy needs but less than 5 per cent of the country's total crude requirements were met from domestic production. Oil provides roughly half of France's primary energy and practically all of it has to be imported—roughly 100m of the 102m tonnes consumed last year, for example.

The picture is the same in Italy where oil accounted for 67 per cent of total energy requirements in 1980, some 98 per cent of which was imported.

GAS SUPPLY SOURCES
W. GERMANY, FRANCE, ITALY

W. Germany	1980 %	1990 %
Domestic	30.1	22.3
Netherlands	36.6	15.7
Soviet Union	17.5	25.0
Norway	15.7	22.3
Middle East	—	7.8
Africa	—	6.5
France	**1980 %**	**1990 %**
Domestic	27.5	8.0
Netherlands	'37.6	8.0
Algeria	7.8	23.0
Soviet Union	13.3	32.0
Norway	9.1	13.0
W. Germany	4.0	—
W. Africa	—	16.0
Italy*	**1980 %**	**1990 %**
Domestic	46.8	17.0
Netherlands	24.3	13.6
Algeria	—	27.2
Soviet Union	23.7	35.2
Libya	4.9	5.6

* By 1990 Italy, like France, may well be taking 3-4 per cent of total gas supplies from Nigeria.

Whatever the Russians may get up to, Opec's ability to cut oil supplies and send crude prices soaring is well proven. The attempts of Italy, France and Germany to cut back on oil imports appears, therefore, sensible because a high proportion of their imports come from Opec.

But it could be argued that instead of replacing Opec oil *with Soviet gas*, the West Europeans could increase their use of coal or nuclear power.

They can and they are.

The French nuclear energy programme is one of the most ambitious in the world and France is also proposing to increase overall coal consumption and domestic coal production, although there is some doubt as to whether the latter will be able to compete against oil imports on price.

But nuclear power and coal technically cannot always replace oil and gas. Even if the political will is there, the development of new coal mines and the building of new nuclear power stations involve long lead times. In the shorter term—to the end of the century—the only realistic way of cutting oil imports is to increase gas consumption.

If there is a strong case for West European countries taking more gas, there is still the question of why it must come from Russia; there are other sources, including the North Sea. Indeed, countries like France, Italy and West Germany which do not have enough indigenous gas of their own, are already importing it from such places as Norway, the Netherlands and Algeria.

But there are obstacles in the way of importing substantial supplies from any of the obvious alternative sources. The difficulties vary from country to country.

The Spanish Government will soon begin negotiations with the Soviet Union on buying Soviet natural gas, Reuter reports from Madrid. Sr Ignacio Bayon, Spain's Industry Minister, said the Government had set up a committee to negotiate the gas purchase, though he did not specify how much Spain was interested in buying.

Reports have been circulating in Madrid for several days that Spain was negotiating for between 2bn-3bn cubic metres of natural gas from the Soviet Union.

The Soviet Unions' pipeline is expected to provide 40bn cubic metres of gas a year to western Europe by 1984.

Spain has launched an energy programme aimed at reducing its dependence on imported oil, which currently accounts for 60 per cent of the country's energy needs.

PRIMARY ENERGY BALANCE
W. GERMANY, FRANCE, ITALY

W. Germany	1980 %	1990 %
Coal	17.8	21.6
Oil	52.3	38.0
Lignite	9.2	8.7
Natural gas	15.5	16.7
Nuclear	3.0	12.1
Hydro	1.7	1.4
Others	0.5	1.4
France*	**1979 %**	**1990 %**
Coal	18.0	15.0–17.2
Oil	55.9	30.17–32.3
Gas	12.0	17.2
Renewables	1.5	4.3–6.0
Hydro	8.2	6.0–6.4
Nuclear	4.3	25.8–28.4
Italy	**1980 %**	**1990 %**
Oil	67.1	51.7
Solid fuels	8.5	18.0
Natural gas	15.6	18.5
Primary electricity	8.7	10.8

* French projections for 1980 allow for some *flexibility—but Soviet gas* deal means France is now committed to the *higher option*.

● **Britain:** The UK has North Sea gas reserves but it has earmarked future supplies for domestic use. The position on exports could be reviewed in the future, but that is cold comfort for continental countries who want to cut their oil imports now;

● **Norway:** Norway has substantial offshore gas reserves and was the first place the U.S. considered when its leaders started lobbying against the proposed Soviet gas deals. Last year a consortium of French, Dutch, Belgian and West German companies outbid the British Gas Corporation for supplies from Norway's huge Statfjord field.

What the Americans had in mind was that Norway make available to the rest of Europe the even vaster reserves thought to lie beneath block 31/2. Another U.S. suggestion was that Norway develop a gas field and leave it untouched except for an emergency.

No specific field was identified. And even if the Norwegians had accepted the 31/2 proposal, that field could not be ready until the mid-1990s. As it happens the Norwegians, who take a fairly stringent view on depletion, refused to play ball on all counts.

● **The Netherlands:** The Dutch, with the Groningen field, are already exporting substantial amounts of gas to other European countries. There was a time when the Dutch would give their gas to almost anyone who came along with a suitable length of pipe. But not any more. They have increased gas prices, tightened up internally on the "wasteful" use of gas for non-premium purposes. Although they will honour all existing export contracts, they are not planning to renew them once they run out. The Netherlands has placed a *moratorium on new gas export* contracts, and the present plan is that all gas exports be phased out by the end of the century.

● **Algeria:** The Algerians are probably the world's leading price hawks on gas. They are pushing for the equivalent of the oil price—around $6.10 per million British Thermal Units.

Algeria has been exporting liquefied natural gas to France for some years. France is believed to be paying $4.35 per million BTUs under two contracts but pricing rows have made negotiations for a third *contract difficult. Gaz de France* and Sonatrach are now supposed to be putting the finishing touches on a contract before the end of this month, but their negotiations continue to be troubled.

While Algeria will continue to be a source of gas there must be question marks about relying on her too heavily for supplies.

● **Nigeria:** France is hoping some 16 per cent of her total gas supplies will come from west Africa by 1990, most of it from Nigeria. But Nigeria has not built a gas liquefaction plant yet so west Africa is still an uncertain source. If France fails to obtain supplies from Nigeria and Cameroun, then by 1990 Soviet supplies will account for some 42 per cent of her total gas consumption.

The one strong argument critics of the Euro-Soviet gas deals may have concerns the size of the contracts for Soviet gas. Perhaps the French and the Germans could have taken less gas from the Soviets and so lessened the risk of being suddenly cut off.

But *this argument leads into* the realm of energy consumption projections which, by their very nature, tend to be uncertain.

But as far as the basic rationale for substantially increasing imports of Soviet gas is concerned, it would seem that France, Italy and West Germany have little alternative.

Besides, there is the economic benefit to the West of the numerous pipeline project contracts—many already won by Western nations—to be taken into consideration.

British Gas in Algerian LNG deal

By Sue Cameron

THE BRITISH Gas Corporation has done a one-off deal with Algeria for a single spot cargo of liquefied natural gas. BGC is believed to be paying the full oil equivalent price for the cargo.

The 12,000 tonne cargo—equivalent of 600m cubic feet of gas — is to be unloaded this Tuesday or *Wednesday* at Canvey Island in Essex. BGC said it needed the extra gas to top up supplies after record-breaking levels of domestic consumption during the recent cold weather. On one day in January the UK consumed 8.405bn cubic feet of gas.

The official Algerian news agency said British Gas was paying $6.10 per million British Thermal Units for the cargo — equivalent to the crude oil price.

SHIPPING REPORT

Boost seen for tanker demand

By Lynton McLain

TANKER BROKERS last week looked forward to the possibility of a slight improvement in demand for crude oil tanker tonnage.

Demand for tanker capacity continued at about the same level last week as in the previous week, although inquiries for tanker charter showed some slight improvement. It was thought by some brokers that this upturn in inquiries could reflect the increasing dissipation of crude oil stocks in the West as a result of the severe weather.

Demand for tanker tonnage, it was argued, could increase as a result, but there were no immediate signs of this happening.

However, the improvement was noticeable in trading out of the Gulf, where a number of very large crude oil carriers were chartered for passage to the Far East and to Europe. This improvement did little to raise charter rates, however, and the current rate for these vessels continued at "very distressed" levels according to E. A. Gibson Shipbrokers at the weekend.

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second Class postage paid at New York, N.Y., and at additional mailing centres.

CAA cheap seats plan to receive public hearing

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

A PLAN by the Civil Aviation Authority to allow holiday charter airlines to sell up to 15 per cent of their seats to non-holiday passengers at cheap rates will be discussed publicly in London next month.

The scheme has been under review for some time, following an original bid by Britannia Airways, one of the country's biggest holiday tour operators, to sell off to non-holiday travellers some of the seats on its flights to many Mediterranean and other destinations from provincial cities.

The CAA rejected the bid at that time but admitted that it had some merit and was worth further consideration. After a long period of study, the CAA has made its own proposals. These will be given a public hearing in London from March 9 to 12.

The aim is to give passengers from provincial cities a chance to fly to many Mediterranean and other holiday destinations at cheap rates, even though they are not buying the kind of package tours which would normally enable them to get cheap air travel.

The flights would include such links as Newcastle-Malaga and Derby-Palma, which are not served directly by normal scheduled services but which do have holiday flights at varying frequencies.

The CAA recognises that many people own villas in holiday centres but find it difficult to travel to them because of the lack of scheduled flights. They do not want the expense of buying package tours and would prefer "flight only" tickets.

The plans are being generally welcomed by airlines, although there are some doubts.

The CAA, for example, suggests that the scheme should apply only from provincial cities, and not the London area, which it takes to include Heathrow, Gatwick, Stansted and Luton.

But some airlines, such as Britannia, which is a big holiday flight operator from those airports, feel this would exclude a large number of travellers who would take advantage of the scheme.

Britannia itself favours selling up to 50 per cent of seats to non-holiday tour customers rather than 15 per cent.

The rates involved in such a plan are not known, because in most cases there are no scheduled fares with which to compare. But the "flight only" tickets would be well below the average pence-per-mile rate between the UK and the Continent on which scheduled fares are normally calculated.

Postal charges up today

BY MARK WEBSTER

FROM TODAY it will cost an average of 9.3 per cent more to get the most from your post.

The latest Post Office increases — the first for 13 months — takes the cost of a first class letter to 15½p and second clas to 12½p. The Post Office said yesterday it intended to hold inland rates unchanged for a year.

Bulk mail users will not have to pay the increases for a further two months, a move to prevent the volume of mail from falling.

After the January 1981 rise the volume of mail actually increased. The Post Office said this was because of its vigorous marketing policy and diversification of services.

The Post Office announced last year that it was on course for profits of £56m for the financial year ending March 31 1982. The latest increases will bring in an additional £26m in revenue for this financial year and £158m in a full financial year.

There is better news for trans-atlantic telephone callers today, however, with the introduction of cheaper calls to North America and the Caribbean. The average cost of a call to the U.S., Canada and the Caribbean countries will come down by a third.

Speculation renewed on future of Royal Bank of Scotland

BY PETER RIDDELL AND WILLIAM HALL

SPECULATION about the future of the Royal Bank of Scotland has resurfaced with rumours among Scottish MPs at Westminster that the bank may move its headquarters from Edinburgh to London.

This might remove one of the obstacles in the way of a deal with another bank.

However, Mr Sidney Procter, the deputy managing director of the Royal Bank of Scotland Group, said there were "absolutely no plans" to shift the group's headquarters and registered office to London.

On Thursday the group held its first board meeting since the Government announced its decision just over a fortnight ago, blocking the rival £500m bids for the Royal Bank from Standard Chartered and from Hongkong and Shanghai Banking Corporation.

The speculation at Westminster apparently originates from well-informed MPs close to the issue. Their story is that, following changes among top executives in the group, the opportunity might be taken to move the headquarters to London, where there is already a large presence.

This would weaken the argument used in the recent Monopolies Commission report about the importance of the bank's Edinburgh headquarters and connections with the Scottish economy and might open the way for another deal.

The Scottish aspect has, however, raised strong feeling among local MPs and Scottish Office ministers.

The Royal Bank's long-term strategy is in a state of considerable flux. The group had wanted to merge with a partner with a strong overseas presence, in the form of Standard Chartered.

The blocking of this merger means that the Royal Bank has to rethink its international strategy. Another result of its abortive merger with Standard Chartered is the loss of influence over Lloyds and Scottish, its finance house affiliate, to Lloyds Bank. The Royal Bank still has a minority stake in the finance house.

In both areas the group needs to make alternative arrangement and further takeover attempts are not ruled out. There has been considerable speculation, for example, that the Royal might make a bid for Grindlays Bank.

Mr Procter said that a deal in any form with Standard Chartered was out of the question now. The group planned to accelerate the expansion plans of its two banks, Royal Bank of Scotland Ltd and Williams & Glyn's.

Although it has a headquarters in Scotland, the group has always operated as two distinct banks with board meetings held alternately in London and Edinburgh.

There is a very small headquarters staff and its members are divided between the two cities. There has never been any move to integrate the two banks.

The Royal Bank of Scotland Ltd has its headquarters in Edinburgh but it has a large London presence and its 11 London branches account for a fifth of the bank's domestic deposits.

The bank's treasurer and staff are in London where they place the Royal Bank's liquid funds on the money markets. They report to the general manager (financial control) in Edinburgh. London also houses the bank's 100-strong international office which reports to the general manager (international) in Edinburgh.

Treasury 'denying access to EEC coal conversion funds'

BY MAURICE SAMUELSON

BRITISH industry is being denied access by the Treasury to millions of pounds of low-interest EEC funds which could be used for converting factories to coal from dearer oil or gas, it was claimed at the weekend.

This follows prolonged discussions between Europe and Britain about the use of some £400m of EEC loans allocated to Britain at the end of last year.

Interest payments have to be given exchange risk cover by the Treasury because the money is available in a mixture of foreign currencies.

However, industry is upset by the Treasury's refusal to cover more than £15m for boiler conversions. This amount is regarded as insignificant and European officials believe far more could be justified for coal conversion.

At present, £325m is earmarked for job creation but little more than a third, it has been suggested, would be taken up under this broad heading.

The Treasury's refusal to accept this argument is said to have perplexed EEC representatives who have said the money will be used eventually by other Community states for reducing dependence on oil if not done so by Britain.

The coal industry has been suggesting it would be easier if the EEC funds were channelled to Britain through private finance houses rather than through the Treasury and that the cost of exchange risk cover would be cheaper if this were done.

Boiler-making companies, meanwhile, are rather more hopeful about the Treasury's attitude towards proposed changes in Britain's own grants scheme for coal conversion by industry.

Under the scheme, launched last March, the Government offers up to 25 per cent of the cost of switching factory boilers from oil to coal. Less than £1m has so far been paid out to applicants, although a lot more is said to be in the pipeline.

Boilermakers, backed by the National Coal Board and the Departments of Industry and Energy, want the grants to be made available for projects which replace gas as well as oil by coal and for fitting furnaces and other non-boiler installations.

The slow start to the scheme, for which £50m is available over two years, is blamed by the Industry Department on the bleak investment climate and companies' difficulty in finding the remaining 75 per cent of a capital project not covered by the grant.

De Lorean may cut more jobs in Belfast

By Our Belfast Correspondent

THE DE LOREAN sports car company in Belfast has told shop stewards it may be forced to declare more redundancies on top of the 1,100 announced last week.

Union representatives said the company did not guarantee that the reduction from 2,600 to 1,500 in the labour force would be sufficient to meet the crisis brought on by cash flow problems and the fierce recession in U.S. car markets.

Shop stewards told a mass meeting of workers that the 1,100 redundancies would not take effect until both the unions and management obtained legal advice about the notice given.

Mr Jim Nicholson, the Transport and General Workers' Union convenor at De Lorean said the union had asked for the stautory 90 days consultation period, but the company "did not have the cash flow to allow this."

He said De Lorean was hamstrung by commitments given to the Government not to incur debts it was unable to meet.

The Government has backed De Lorean with £67m of grants, loans and equity, and is providing guarantees against £10m of bank loans.

Mr John De Lorean says his chances of finding a partner for the venture and raising the £106m in export and retail finance needed, depend on the Cabinet agreeing to forgive the company all its Government debts in return for increased royalties

The unions expect to meet Mr James Prior, Northern Ireland Secretary, again this week to urge him to support the company

BMK report

THE FINANCIAL TIMES would like to point out that a report in early editions on Friday, concerning BMK, the Kilmarnock-based carpet manufacturer, was incorrect.

BMK has not gone out of business. Production is continuing and all orders are being met. The joint receivers have stated that advanced negotiations are continuing with a potential purchaser and they are hopeful of selling the business.

Attempts to change Lloyd's Bill 'a wrecking operation'

BY JOHN MOORE

A SENIOR member of the 16-strong ruling committee of Lloyd's of London yesterday condemned last minute moves at Lloyd's to force changes in the Bill of Parliament for improving the market's self regulation as "a wrecking operation."

Mr Peter Miller, a member of the Lloyd's committee who has been responsible for steering the bill through Parliament, said "We have amended the Bill as far as we can. But there comes a time when you have to stand and fight. It is unlikely that there will be further compromise."

The Bill is due for consideration in the Commons on Wednesday in a three hour debate before it has a Third Reading. So far 29 amendments have been drafted by the Bill's opponents in Lloyd's and circulated to MPs.

At the weekend there was a surprise initiative by two opposing factions in the Lloyd's community who joined forces to challenge the Bill. Mr Kenneth Grob, chairman of Alexander Howden, the UK broker which has been taken over by Alexander and Alexander of the U.S., joined forces with Mr Malcolm Pearson. Mr Pearson, who is not a member of Lloyd's, chairs the broking firm Pearson Webb Springbett.

Mr Grob is opposed to a clause in the Bill requiring that Lloyd's brokers should sell off their shareholding links with Lloyd's underwriting agents, the groups which manage Lloyd's underwriting syndicates. Parliament identified conflicts of interest and sought the separation after hearing a petition, which was in part financially supported by Mr Malcolm Pearson.

Mr Grob and Howden failed to have the rule changed when they mounted their own petition. Now, ironically, Mr Grob and Mr Pearson have joined forces to seek further changes to the Bill at Lloyd's.

Mr Pearson is opposed to an immunity clause in the Bill which grants a new Lloyd's council protection from legal suits for damages by any of its membership. He wants it dropped. Mr Grob wants the mandatory sale of underwriting interests dropped.

Lloyd's is standing firm. It says it is supported by the majority of the membership of 20,000 in its promotion of the Bill.

Impact of interest movements

BY MARK MEREDITH IN EDINBURGH

THE IMPACT extreme swings in interest movements could have on a company's profit and loss account was reason enough for corporations to take an interest in the financial futures market, according to Mr Ian Lough, deputy manager of the cash-management and treasury department of Imperial Chemical Industries.

He spelt out the corporate view of the London International Financial Futres Market (LIFFE) at a seminar on the market, organised by the Bank of Scotland and the British Linen Bank, in Edinburgh. The futures market is due to open next September.

House prices 'held steady' last year by bank competition

BY PAUL HANNON

HOUSE PRICES stabilised last year as a result of the banks moving into the housing finance market, according to Dr David Lomax, National Westminster's group economic adviser, in a review of the impact of the banking community's greater competition with the building societies.

"There has been a structural, and some would say long overdue, shift in the pattern of retail finance in Britain," Dr Lomax says.

The substantial incursion of the clearing banks into house mortgage lending had not resulted in higher prices, and it had generated an element of stability in the market.

London clearing banks' lending for house purchase for the year to last November increased by £1.5bn, equivalent to 2 per cent of Sterling M3 in November.

"The driving force for the banks' movement into the housing market has been their compelling need on long-term commercial grounds to ensure the profitability of their extremely expensive retail banking networks and to ensure good long-term business relationships with retail customers," Dr Lomax says.

Greater competition between banks and building societies will occur in the future, and their long-term market shares will change in favour of the stronger institutions, he adds.

Some concern at these market changes is justified, but many analyses have been "ill-informed or not completely thought through," Dr Lomax suggests.

"The housing market is going through a permanent process of stock adjustment. After a period of stagnant prices and low turnover, the effect of more finance (from the banks) for the market is to enable the number of transactions to be increased substantially and thus enable the adjustment process to be furthered, without necessarily having any effect on house prices.

"It is only if an influx of money into the housing market is continued excessively for a long time that ultimately prices are stimulated significantly."

In many ways the banking system has become too competitive for banks to be able to survive without competing, for example, against building societies, he says.

Exchange controls policy defended

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A STRONG defence of the Government's policies on exchange controls and on foreign companies investing in the UK will be mounted on Wednesday at a meeting of the National Economic Development Council.

Mrs Margaret Thatcher, the Prime Minister, will take the chair at the meeting for the first time in a year. She will face a potentially hostile delegation from the TUC which is considering whether to withdraw from the council later this year in protest at the Government's proposed labour laws.

The meeting will also hear a report on the progress of the Government's information technology policies and will be invited to suggest incentives that should be introduced by the Government to help small businesses.

The debate on investment is taking place at the request of TUC leaders who will argue that the abolition of exchange controls has led to a sharp increase in UK portfolio investment abroad in stocks and shares and other securities

They will say that such investment trebled in 1980, that this level was almost exceeded in the first three-quarters of last year, and that since exchange controls were abolished in 1979 the outflow has totalled more than £5bn.

The TUC will also criticise financial institutions for investing 50 per cent more in foreign companies than in UK businesses during the first half of 1981. It will suggest a Government agency be established to monitor flows of capital.

A paper submitted by Sir Geoffrey Howe, the Chancellor of the Exchequer, will defend the Government's stance.

Mr Patrick Jenkin, Industry Secretary, will outline the Government's position on inward investment projects such as the planned Nissan car factory.

Mr Jenkin will argue that it is right for the Government to welcome inward investment projects which boost employment, help the balance of payments, and aid technological innovation.

He accepts that the setting up of 25 Japanese companies employing about 6,000 people in the UK during the past few years has led to controversy. But he rejects any idea that the Government should treat potential Japanese investors differently, for example, from Americans.

He will also say that he wants to improve the co-ordination of the promotional activities conducted abroad by a variety of British national and regional lobby groups.

The TUC will give broad approval to the encouragement of inward investment, provided the terms are right. The CBI will probably press for stricter guidelines governing the employment, component purchasing, and research and development plans of the foreign companies.

ASTMS claim for takeover information denied by Burmah

BY BRIAN GROOM, LABOUR STAFF

BURMAH OIL yesterday denied a claim by the white-collar Association of Scientific, Technical and Managerial Staffs (ASTMS) that it could use a new law to demand information about Burmah's takeover bid for Croda International.

Mr Roger Lyons, national officer of the ASTMS—which has 1,500 members in the Burmah group and 1,250 in Croda—has threatened to take out an injunction if the companies refuse to comply with the request.

ASTMS believes it can use the Transfer of Undertakings (Protection of Employment) Regulations 1981, introduced to implement an EEC directive. It contains provisions for employees in companies whose ownership changes to be given information and to be consulted. These provisions come into force today.

The union, which suspects that Burmah may wish to sell off parts of Croda's business, is seeking information from Burmah on investment, manpower, and on its attitude to assets and the further development of the business. It also wants Croda to tell it more about the state of the business.

The request is contained letters to Sir Freddie Woo chairman of Croda, and S Alastair Down, chairman Burmah. If the letters fa the union is likely to take t matter to an industrial tribun but if there is delay it will se an injunction which it belie could hold up progress of t bid.

It believes the new regulatio apply when a company is who taken over by another, and th as Burmah's bid is for 100 p cent of Croda, it would co under the provisions. AST says information must be ma available long enough before transfer of ownership to all consultation to take place.

Burmah argued last night t it was not subject to the new because its proposed takeo did not change the employ relations with their emplo which would remain Croda In national. The ownership Croda was not relevant, it sa

● Transport and Gen Workers' Union leaders at Sullom Voe terminal in S land have given notice that t will strike unless British Pe leum increases its 7.5 per pay offer by Friday.

British Gas launches exploration drive with Blackpool test drill

BY NICK GARNETT, NORTHERN CORRESPONDENT

BRITISH GAS, drilling 28 miles off Blackpool on the west coast, this weekend bored into sandstone strata which the corporation hopes will be gas bearing in produceable quantities.

The operation, which is being carried out immediately south of Morecambe Bay, will involve up to five test wells in the next six months.

It is the first British Gas Corporation test drilling for three years, since it carried out one in conjunction with BP in the English Channel.

The drilling represents the start of a new series of exploration drilling which the corporation will undertake around the British Isles within the next few years.

The corporation yesterday announced its programme, which includes exploration wells in the northern and southern North Sea, the south west approaches, north west Shetland, and the Channel.

The announcement and its timing is to a large extent a response ot the considerable restrictions placed by the Government on its exploration work and development.

British Gas will shortly be drawing up a prospectus for the sale of its Wytch Farm oilfield in Dorset, following the Government's decision that it must sell it.

A Bill is also in parliament which proposes to force British Gas to halt its interests in developing oil fields.

Mr Harold Hughes, director and general manager of British Gas Exploration Subsidiaries, said yesterday that unless the corporation was optimistic part of the country's energy availability would not be established.

It was important that the corporation continued to be involved in exploring and developing its own basic resource.

The announcement comes just before the eighth round of exploration licensing, due shortly.

The Western Oceanic-owned Apollo II rig, which started drilling three weeks ago in block 110/7 and will operate at a final depth of 4,000 ft, is being used only a few miles south of what is probably the third biggest gasfield on the UK commercial shelf.

The use of the rig is being shared between British Gas and BNOC equally for the next three years, and is costing British Gas about £30,000 to £35,000 a day total operating costs.

The corporation believes if there is a gasfield to be tapped off Blackpool, its pressure would probably be the same as the Morecambe Bay field.

The Morecambe field, ten miles long and two miles wide, contains an estimated five trillion cubic feet of gas and was discovered in the 1970s.

It is due to come on stream in 1984, although the timing of the initial part of the £1bn development project is seen as ambitious.

The construction of the gas terminal is now under way at Rampside near Barrow, Cumbria. The field is expected to be used to meet peak demands and to operate on almost a seasonal basis. This would give Morecambe Bay a minimum 40 year life.

British Gas said at the weekend that if gas is discovered off Blackpool it would have to consider whether the Rampside terminal could be used to take the gas, or whether a different location for getting it onshore would be used.

The operation of Apollo II, whose 84 man crew includes local labour receiving high North Sea oil wage rates, is already adding a little life to a local economy which has been weak for decades.

Though the base for the drilling operations is Fleetwood, this gives no indication as to which town would be used as the central location for developing any new field off the west coast.

Prutec in diagnosis aid venture

By David Fishlock, Science Editor

A MAJOR innovation in medical technology from Aberdeen University is to be manufactured by a new company backed by Prutec, the venture capital arm of the Prudential group.

The company, M & D Technology, will design and make a new instrument for "imaging" disease to aid diagnosis.

Prutec will be the major shareholder (35 per cent) in the company, for which £1.4m has been put up. Prutec is investing £950,000 of this.

Its product will be a £300,000-£400,000 instrument which uses a technique known as nuclear magnetic resonance (NMR), in which atoms are made to ring like bells, each with a characteristic note.

From the emissions of different atoms in living tissues, a detailed picture can be built up for the doctor to examine.

NMR diagnosis is proving particularly good at distinguishing early signs of cancer in healthy tissue.

Professor John Mallard, who the university team which developed the instrument, said the Aberdeen NMR imager had been tested on over 500 patients.

Prof. Mallard, who becomes scientific director of M & D Technology, forecasts the NMR technique will prove to be the big advance in medical technology of the 1980s.

Its advantages over the computerised X-ray scanning technique, such as the EMI-Scanner, could include the ability to detect diseases such as cancers at an earlier stage, without exposing the patient to radiation.

In NMR imaging, the patient is exposed only to a powerful magnetic field, which appears to cause no harm to healthy tissue.

Prutec's partners in financing the new venture include the Scottish Development Agency, the Scottish Northern Investment Trust and Aberdeen Trust, which hold 15 per cent of shares between them.

Aberdeen University Research and Industrial Services (AURIS) holds 15 per cent and the remaining 35 per cent are held by Prof Mallard and Mr Robert Davies, managing director of M & D Technology.

TUC calls for increased unemployment benefits

BY BRIAN GROOM, LABOUR STAFF

THE TUC is calling for an increase in benefits for people out of work and a reconstruction of the system, which it says was never designed to cope with long-term unemployment.

Mr Alan Fisher, the TUC's vice-chairman, said in launching its Benefit Charter for the Unemployed that the abolition from last month of earnings-related supplement was the latest in a series of government attacks on the unemployed.

The TUC says this was worth £13.30 a week in 1979 (the equivalent of about £17.15 today) for up to six months, for someone who had been on average male earnings.

Its abolition leaves total unemployment benefit at £22.50 a week for a single person, £36.40 for a married couple, and £38 for a couple with two children. It follows decisions to raise adult flat rates by 5 per cent, less than the rate of inflation in 1980, and by 2 per cent last year.

Unemployment benefit will now buy less than at any time in the last 15 years, the TUC says.

In the long-term, the TUC wants unemployment benefit to be high enough to keep people off means-tested supplementary benefit, and to be paid until a person finds a job instead of being stopped after a maximum of 12 months, as at present.

It wants a new earnings-related supplement to be payable for the first year of unemployment, and a high flat-rate benefit similar to inval pension to be paid to pe unemployed for more tha year.

Among short-term meas the TUC wants the unempl to qualify for the higher l term rate of supplemen benefit which other clain receive after a year on ben

The TUC is also calling cuts in unemployment ben to be made good, and for m saved by abolition of earn related supplement and prospective taxation of ben to be redistributed to unemployed.

Young people should be to claim supplementary be as soon as they leave sc travel and other facilities sh be provided at concessio rates to the unemployed, there should be no fu tightening of the rules u which benefits can be disall or cut off, it says.

The TUC's charter is a more at persuading unionists and the public unemployed people are shirkers—and hence stiff public resolve against cu benefit—than at influencin Government.

It will not be backed by of the strong measures l canvassed in protest at Norman Tebbit's Employ Bill. It will take the form propaganda effort among t branches, trades councils, v tary organisations, MPs councillors.

Inner-city regeneration plan may get state support

BY ROBIN PAULEY

A JOB-CREATION and industrial development project being assembled by a black community group in an inner-urban stress and unemployment area is expected to receive government financial support.

The project was conceived by leaders of Harlesden People's Community Council in the London borough of Brent. It involves taking over the defunct London Transport bus depot and its 3.5 acre site at Stonebridge, for which £2m is needed before the end of March.

Conversion, the equipping of the workshops and revenue support could bring total initial cost to about £5m.

Plans for the site are all based on self-help schemes aimed at generating about 140 jobs and training places, with potential for expansion and knock-on schemes to provide more jobs in one of London's most deprived areas.

The project aims at self-sufficiency within five years and includes a community co-operative: a car-maintenance workshop: a music workshop; an information technology centre; an arts and science workshop; a burglar-alarm factory; photography and print workshops; and sports, leisure and youth facilities.

The Stonebridge area has about 7,000 residents, about 70 per cent of whom are black. Unemployment and youth employment are among the country's highest levels. The area came close to trouble in last summer's urban riots. The black community formed the Harlesden Council at that time.

Since then it has developed the scheme to transform the bus-depot to create workshops and jobs with advice from similar projects created after the Watts riots in Los Angeles in the 1960s.

This is the type of local self-help on which the Government is keen to base part of its urban regeneration plans. Lord Bellwin, Environment Department Minister, enthusiastically received a delegation from the project recently. Although no firm promises have been giving the Government intends to help if details show a package can be put together with local authorities.

The Greater London Council intends to help also and Brent Council today will consider giving £1m towards the bus-site purchase. Lord Bethell, Tory Member of the European Parliament for London North-West, will lead a delegation to seek help from the European Economic Community social fund.

In addition to inner-city aid from the Environment Department, aid may be provided by the Industry Department

Small business tax concessions sought

BY TIM DICKSON

INVESTORS who sell assets and lend to, or invest the proceeds in, a small business should be allowed to roll over capital gains tax, according to the Small Business Bureau, a lobby group chaired by backbench Tory MP Mr Michael Grylls.

"At present if someone sells stocks and shares in order to help a friend with a new or existing company he risks being taxed twice: when he sells the assets and when he sells the shares in the business," says the SBB in its Budget submission.

The SBB wants to see deferment of CGT until the investment in the new business is sold.

Among other recomendations from the bureau are:

● An end to the "de minimis" provisions whereby the first £2,000 of stock in a company is not eligible for stock relief.

The SBB says that larger companies with stocks of £500,000 can get relief on almost 100 per cent of their stocks. But a small company with only £4,000 gets relief on only 50 per cent.

● The right for taxpayers investigated in depth by the Inland Revenue to appear before the General Commissioners and to ask for costs. (These would only be granted where no material omission by the taxpayer had occurred.)

● Exemption from corporation tax on the first £2,000 of a company's trading profit, a rate of 10 per cent for the next £3,000 and 15 per cent on the next £5,000.

● An increase in the upper limit on the Business Start-Up Scheme from £10,000 to £25,000 and eligibility for employees on up to 5 per cent of a company's capital and genuine management buyouts.

Industry largely unaffected by rail strike

Gareth Griffiths on the effects of the weekly stoppages

THE RAIL STRIKE by the Associated Society of Locomotive Engineers and Firemen has caused more trouble for commuters than British industry, which has been largely unaffected by the weekly stoppages.

Manufacturing industry has been shielded from major disruption because most of its products and raw materials are transported by road. The Road Haulage Association says about 90 per cent of Britain's freight is handled by road transport.

Rail freight concentrates on large, bulky and often dirty items such as coal. About 75 per cent of all power station coal, 54 per cent of all ores and 11 per cent of petrol products are carried by rail. Rail freight scores well on longer journeys.

The only British Steel Corporation plant to have been affected by the dispute is Teesside where production has been cut by 40 per cent to 36,000 tonnes per week. But not entirely because of the Aslef action. The plant has also been hit by a local dock strike and the weather.

Supply problems at the Ravenscraig integrated steelworks in Scotland were eased ironically by cold weather which brought production in January virtually to a standstill. Average output of 40,000 tonnes of liquid steel a week is at present down to about 30,000 tonnes.

Coal stocks held by the National Coal Board have been increased by about 2m tonnes because of the Aslef action. The NCB says coal stocks are up by another 2m tonnes because of the disruption caused by last month's weather. About 500,000 tonnes of the extra coal stocks are designated for export.

Coal stocks are higher than normal for this time of year at about 23.3m tonnes. The NCB has room to stock about 15 weeks' supply and at present is stocking about eight weeks. Stocks in South Wales are building up rapidly and the area board has warned that some pits could be breaking local planning laws which limit stocks.

British Rail's major industrial customers in South Wales, normally one of the busiest freight traffic areas, have been promised three-fifths of normal deliveries.

Coal is the worst affected industry. The NCB reckons it is losing £5m a week as a result of the strike. British Rail normally moves about 250,000 tonnes a week in the region.

Although both the power stations and the BSC steel plants supplied by the coalfields have adequate stocks, large quantities of coal are having to be stockpiled at pitheads—an awkward operation as stockpiling space in most Welsh valleys is limited. If the strike action is prolonged it could lead to cuts in coal production because of the lack of stockpiling areas.

The immediate threat is to the NCB's phurnacite smokeless fuel plant in the Cynon valley, mid-Glamorgan, which is living from hand to mouth and could be forced to shut and lay off its 1,000 employees. So far it has kept going with road deliveries of open-cast coal.

British Steel says its plants in South Wales have experienced no problems as a result of the strike. Stocks of raw materials have been adequate and most finished products now go by road.

The main worry for Coal Board officials is what impact the strike will have on coal exports, which have grown rapidly in the past year, mainly to power stations on or near the coast of north west Europe. NCB officials discount any present risk to these markets but fear that a long standstill could harm them.

British Oxygen, which supplies industrial gases to large sections of industry, is highly dependent on rail. Its distribution network centres on its plant at Widnes, Cheshire, with depots at Sheffield, Wolverhampton and Wembley, north London. BOC says it has been able to supply its customers by rescheduling train services with BR and customers have not been affected.

Rescheduling of freight services seems common among the main users of the railways. This is facilitated by the fact that large companies such as Ford or BOC want a certain number of trains a week and not necessarily on the same day. The overall volume of movement is crucial, rather than the timing.

Most industrialists say it is difficult to assess the dispute's cost, although British Rail says it is losing about £6m a day. The NCB has introduced Saturday working to try to get round some of the effects on coal movements.

The contracts between BR and major freight customers mean that BR picks up any extra cost caused by delays on rescheduling.

The road haulage industry has been operating with about 25 per cent less business than two years ago and the Road Haulage Association says there is plenty of slack capacity in the industry to take up extra demand from industry. The RHA estimates that there has been a switch of 2.5 per cent of total freight business from rail to road and it argues some of that extra business will stay with road operators.

Retailers say the rail disruption has had some effect, especially in London where some stores are closing earlier. The main beneficiaries of the dispute have been the capital's hotels.

At this time of the year, London hotels normally operate at about 50 per cent of capacity. Block bookings by many large companies in the capital have boosted that rate, particularly in three-star hotels and above.

The newspaper industry has been badly affected. Although most publicity has been concentrated on Mr Rupert Murdoch's News International group, officials from the Newspaper Publishers Association, the umbrella group for Fleet Street newspapers, describe the extra road and air costs as horrific.

British holiday pay lagging behind Europe

By Our Labour Staff

MOST BRITISH workers are given a worse holiday pay deal by their employers than their counterparts on the Continent, according to the independent, but trade union-financed, Labour Research Department.*

The department says in a report that most British workers on average pay would find themselves equal bottom of the league of major West European countries. Belgians receive twice their usual pay while on holiday.

A quarter of the British average manual wage is made up of extra money for overtime and shift working—and these are not necessarily paid in leave weeks.

Payment for holidays is, almost without exception, no more generous than for time spent at work, the report says.

Although most British workers now have four or five weeks' holiday there are still considerable restrictions on when holidays can be taken and how many days can be taken at a time, the report says.

* Bargaining Report, Jan.-Feb. 1982; LRD, 78 Blackfriars Rd., SE1; £5.

Biffen rejects call for talks on Sunday Times

MR JOHN BIFFEN, Tr Secretary, has rejected request by Sunday Ti journalists to meet him discuss alleged breaches guarantees of edito independence given by Rupert Murdoch.

The National Union Journalists' chapel belie the removal of Mr Ron H from editorship of the Sun Times colour magazine the work of Mr Murdoch, of the editor Mr Frank Gi

● Two print unions h agreed to merge, after union held two ballots on issue.

A new secret postal ba was called for by national council of Society of Lithogra Artists, Designers, Engra and Process Workers, as was not satisfied that ev London member had a pro opportunity to vote the f time, said Slade gene secretary Mr John Jackso

Members of the o union, the National Graph Association, had alre approved the move. merger is likely to come i operation at the end March.

SDP-Labour coalition possible says union leader

BY OUR LABOUR STAFF

THE PROSPECT of a Labour coalition with the Social Democratic Party has been raised by Mr Bill Sirs, general secretary of the Iron and Steel Trades Confederation.

Mr Sirs, who is closely allied with the right of the Labour Party, beieves the recent meeting of union and party leaders at Bishops Stortford was a turning point and that Labour has "just a chance" of winning the next election.

But, he writes in his union's journal: "We cannot write off the SDP, who could well be part of a coalition with Labour if Labour fails to clinch a deci victory."

Mr Sirs wants to see Labour victory, but his res for some of the party's defect is underlined in an offer congratulations to Mrs Shi Williams on her victory in Crosby by-election.

"When one observes the of talent in parliament, particularly on the Governm benches, one cannot hel pleased that Shirley wi bringing to the House all acumen, commonsense a flair," he writes.

هكذا من الأصل

FINANCIAL TIMES SURVEY

Monday February 1, 1982

U.S. Futures Markets

"Organised chaos": dealing on a Chicago futures exchange

The expansion in U.S. futures trading slowed down last year after a decade of explosive growth owing to the depressed state of the commodity markets. But interest in financial futures continued to increase strongly and the industry is confident of further expansion in the years ahead.

CONTENTS

Editorial production by Catherine Darby

Money is the growing market

By John Edwards
Commodities Editor

AFTER TEN YEARS of explosive growth, turnover on the traditional U.S. commodity futures markets suffered a severe setback in 1981. The rapid expansion of the financial futures markets continued apace and looks likely to change the whole image of the industry. It results from general monetary instability and the desire of investors to move into basic new materials.

Futures trading is no longer confined to grains, porkbellies and other commodities. It is now more and more concerned with money—whose value fluctuates just as suddenly as any volatile commodity.

The setback in traditional commodity futures markets can be blamed almost entirely on the depressed state of the American and world economies, particularly in the agricultural sector where poor demand and bumper crops have resulted in huge surpluses which have undermined the markets.

However, one important factor depressing commodities—high interest rates—has helped promote the growth of financial futures to the extent that they are becoming the dominant markets. Last year, the Chicago Board of Trade Treasury Bond futures became the biggest single market with *a turnover of nearly 14m trades.*

Turnover on the International Monetary Market, a division of the Chicago Mercantile Exchange, jumped spectacularly, too, and the IMM scored considerable success with a launch of two new financial contracts—one for Certificates of Deposit and the other for Eurodollars. Many traders in the U.S. consider that the Eurodollar market, which is already widely used by overseas companies, has the greatest growth potential of all.

The expansion of financial futures is seen as bringing in a new set of players and building up a whole new image for the industry; far removed from the *previous speculative fiascos in* soyabeans and silver.

Perhaps the most significant sign of the shape of things to come is the move by Morgan Guaranty Bank asking the Federal Reserve Board to permit a subsidiary of the bank to act as a broker in the precious metals and financial instruments futures markets.

Mergers between commodity trading companies, stock exchange companies and banking interests have already pointed the way towards financial institutions becoming increasingly involved in futures trading. The treatment of money as a commodity is expected to broaden use of the markets to a much wider sector of the industrial and financial community.

Mr Hansen, of Cargill Investor Services, whose company is launching a counter offensive to British firms invading the U.S., by opening a London office, forecasts that corporate *use of the futures markets will* extend considerably in the years ahead.

Raw materials

Money is an international commodity, used by everyone, he points out. Just as most major commodity companies could not operate without *hedging the value of their raw* materials on the futures markets, so companies and financial institutions would be forced gradually to use futures for the purpose of protecting money.

The proposed development of futures markets for stock market indices also means that security and commodity investors will move closer together, a development that has already occurred in precious metals. Significantly, gold futures was one of the few commodity futures markets in which turnover rose last year.

An added attraction to futures trading in the U.S. is the new tax system, introduced last year. It is viewed by commodity trading firms as a bitter-sweet measure. The bitter part is that the previous concessions given for tax straddles, which enabled individuals and companies to "smooth" and often reduce their tax bills over a number of years, has been withdrawn.

As warned by the industry, this appears so far to have resulted at least in a reduction of trading in the distant months on the futures market, since there is no longer any tax advantage to be gained from trading far ahead. An unfortunate result of this decline in *liquidity in the distant months* is that it is now more difficult for genuine trade hedging to be carried out as effectively in the past for long-term periods.

However, the "sweet" part of the new system is that tax liability on short-term gains has been reduced to a flat rate of 32.5 per cent. This compares with a previous rate of between 50 to 70 per cent and makes futures trading very competitive with tax rates paid on other forms of "investment."

Option trading, which is to be introduced on a three-year trial basis later this year on the U.S. exchanges, is also likely to bring in new business, since it reduces the acknowledged high risk *involved in futures.*

Commodity options gained such a bad reputation at the end of the 1970s that the Commodity Futures Trading Commission decided to ban them since it could not afford the time and expense involved to regulate them properly.

Option trading in traditional U.S. agricultural commodities, banned by law before the 1939-45 world war, still requires specific legislation by Congress. But the CFTC has decided that it is worth trying to reintroduce option trading on a trial basis in other markets in a new form.

They will be traded openly on the exchanges so that the premiums payable will be publicly known and it will in effect represent a sort of secondary futures market with the value of options varying in line with the situation in the particular commodity, and also subject to the strict rules and regulations laid down by the CFTC.

The attraction from the speculators' point of view is that the premium paid for options will represent the total risk involved. What is not certain yet is how much futures business will be siphoned off into options and how they will affect the futures markets themselves.

Each exchange is to be granted one option, normally on its most active market, to see what results. Commodity brokers feel this could be a very significant step in widening opportunities for known-risk futures trading and could result in a large volume of extra business, both from speculators and the trade granting options, in the years ahead.

Philosophy

There is considerably more support for the role of the Commodity Futures Trading Commission, which regulates the markets, since the accession of the new chairman, Mr Philip Johnson. His stated policy of more enforcement but less regulation fits in well with the philosophy of commodity traders.

They also welcome his support for more self-regulation via the proposed National Futures Association, as well as his efforts to speed up approval of new contracts.

Less popular, indeed very *unpopular, are suggestions that* the CFTC may be financed by users' fees—in other words a charge on the industry in addition to the cost of supporting the National Futures Association.

However, although there are continued complaints about over-regulation driving business abroad (mainly to London) it is also recognised that the CFTC does provide the regulatory credibility required to attract business, especially from the financial community who shied away from the commodity "gambling dens" in the past before the introduction of futures for financial instruments.

A clear pattern now seems to be emerging after the massive inflow of interest in futures trading during the past decade. Financial futures were developed to meet the need to protect the value of money in a world where fluctuating currency values and interest rates threatened to undermine the whole monetary system.

Chicago, the traditional home of commodity futures trading, *has won decisively the battle* to provide the new financial markets with the much-publicised New York Futures Exchange, launched by the New York Stock Exchange, failing dismally.

The failure of NYFE, mainly because of a lack of local market makers is an ominous precedent for the planned London Financial Futures market. Liquidity is all, and for any market to succeed it must have the support of entrepreneurs prepared to make a market at all times.

However, New York has triumphed in winning control of the precious metal markets for gold, platinum and silver, as well as retaining its pre-eminent role in *international* commodity markets, apart from grain.

New York has established a leading role so far in energy futures, with its highly-successful heating oil market, but is shortly to be challenged by Chicago.

Another battle to be fought will be over the planned stock indices futures markets. The first contract will be introduced by the small Kansas City Exchange, which put in the first application to the CFTC. But future indices contracts are planned by Comex in New York, NYFE possibly with the backing of the Chicago Board of Trade via an electronic linkage aimed at helping the survival of the New York exchange. And also by the Chicago Mercantile Exchange, which is planning to form a new IOM (Indices and Options Market) division.

Whatever the outcome of these battles, it is clear that futures trading in the U.S. will continue to grow even if the markets develop into very different creatures that they have been in the past.

The depression in the traditional commodity markets cannot last for ever, but the main source of expansion is undoubtedly the extra interest in financial instruments that could change the complete structure of futures exchanges in the years ahead.

Frenetic activity in financial futures

"IT APPEARS chaotic. But it's a very organised chaos. "It's the most purely competitive market in the world."

That was the way Dr Clayton Yuetter, president of the Chicago Mercantile Exchange, summed up the scene on the trading floor on the launching day last December of the exchange's new contract in *Eurodollar financial* futures.

The Eurodollar contract is the latest innovation in the world's most frenetic and fastest growing money market.

Financial futures—trading in forward contracts in interest rates and currencies—are booming in their home town of Chicago, where they were pioneered a decade ago.

The market allows banks, corporate treasurers and any kind of money manager to cover risks; or simply to speculate on fast-moving currency and credit markets. It has become by far the most dynamic part of the U.S. futures industry, and is catching on fast abroad.

On the crowded trading floor of the two Chicago exchanges—the Mercantile, whose International Monetary Market division runs financial futures, and the Board of Trade—activity in the main financial contracts last year outstripped dealings for the first time in soft commodities.

The continued expansion of interest rate and currency trading was also in contrast to *the sluggish performance* in precious metals. Both gold and silver are still suffering from widespread lack of investor interest in the aftermath of the dramatic price rise and subsequent collapse of 1980.

Financial futures have been carried along on the crest of a wave of unprecedented volatility on the world's foreign exchange and interest rate markets during the past two years.

With a range of new contracts, as well as Eurodollars, planned to start trading, and with large numbers of fresh and potential users from around the world being introduced to financial futures every day, few people connected with the Chicago boom doubt that the market can keep up its momentum.

Pipeline

Apart from the new Eurodollar contract and trading in domestic bank certificates of deposit introduced last summer, dealing in an index of stocks is planned to start this year. Other ideas involving options on financial futures are in the pipeline as the traditional demarcation line between the securities and commodity trading industries becomes progressively thinner.

The lack of impact of the financial futures exchange in New York—which has flopped since its opening in autumn 1980—is seen in Chicago simply as an indication of the windy city's superiority rather than as a danger signal for the market as a whole.

The failure of the New York Futures Exchange—where currency trading, in particular, has been pathetically low obviously represents a cautionary tale for the backers of the London financial futures market, planned to start this September.

London believes it will do better, partly because of the time zone difference. Additionally, the City believes that the products it will be offering — contracts in Eurodollars, long and short term sterling interest rates and currencies — will complement those available in Chicago rather than duplicate them.

The Chicago-ites speak somewhat condescendingly of the New York exchange. Because of its poor start, the Commodity Futures Trading Commission allowed NYFE to get off the ground first with domestic trading last year. Here it has done better than expected, but is still lagging behind the others.

To put new life into NYFE — and to give the Chicago Board of Trade greater access to the growing market in options — the two exchanges plan an electronic link, per*mitting traders on one ex*change easy access to contracts on the other.

Many Chicago traders now dealing in Treasury bonds or Deutsche Marks learned their skills in the grain pits and moved to financial futures only when activity started to climb dramatically in the late 1970s. They are plainly sceptical whether London — which lacks this home-grown dealing and speculative element — *will make much of a* dent in Chicago's world-wide predominance.

With the free-marketeers in President Reagan's Washington now keen on seeing the continued expansion of the futures markets, there are only two developments which could possibly slow down the advance of financial futures.

The first would be disastrous trading losses by several wildly-exposed market participants—unlikely in view of the daily clearing mechanism and elaborate financial safeguards.

The second would be a return to Bretton Woods-style stability to the world's financial markets, which would immediately wipe out the rationale for the existence of financial futures. And, as Dr Yuetter observes with more than a hint of *Schadenfreude, the probability of that hap*pening seems to be diminishing.

The essence of financial futures is to strip money down to the status of a commodity which, like soya beans or pork bellies, can be traded on future dates as well as in the present.

The two essential elements in the financial futures equation are: the price agreed in advance on the futures contract and the price of the contract when it reaches maturity.

The latter depends on the actual movements of the spot price of currencies or interest rates on the financial markets concerned. The larger these movements are, the greater will be the demand to "lock in" a fixed price for future months by using the futures markets.

The difference between the two *elements is the profit or loss* accruing to the trade, who may be anyone from a manufacturing corporation wishing to cover its foreign exchange risks, to the proverbial Mid-West dentist carrying out a straightforward gamble in currencies.

One example where the futures market would be used to lower risks would be when a pension fund expects that interest rates will fall but does not have the money to invest right away. Instead, it buys a futures contract in Treasury bills.

Lack of cash

If interest rates indeed do fall, the *contract price rises and* can be sold for a profit. This makes up for the loss that the fund would suffer for lack of cash to make the outright investment.

Similarly, a U.S. company needing D-Marks in three months' time to settle an import bill may elect to buy a futures contract in D-Marks if it believes the German currency is due to rise. If the company is due to receive a payment in foreign exchange three months hence and is worried that the currency will fall, it will sell forward an equivalent amount to protect against the loss that would otherwise ensue.

Because the currency futures market partly overlaps with the forward exchange contracts offered by banks—although these are in several respects less flexible—the big growth area in U.S. financial futures has been in interest rates.

GROWTH has also been fostered by the record fluctuations in U.S. interest rates of the last two years and the ever-increasing volumes of government debt issued by the U.S. Treasury. Many banks and financial institutions buying Treasury issues these days automatically hedge their position at times of rising interest rates by selling forward on the futures market.

Trading in three-month Treasury bills, the main interest rate instrument on the International Monetary Market, last year bounded up to 5.6m contracts from *3.3m in 1980 and* only 110,000 in 1976.

Volume also increased sharply in the main currency contracts — sterling, Deutsche Marks, Swiss francs and yen —but fell slightly in gold.

On the Board of Trade, which specialises in longer term interest *rate contracts*, volume of Treasury bond trading more than doubled to 13.9m contracts from 6.5m in 1980.

Significantly, there were more contracts traded in the two top-flight financial futures instruments than in the main traditional commodities on either exchange — corn on the Board of Trade and cattle on the Mercantile. If the financial futures traders can keep up this kind of growth in 1982, they will not be able to believe their luck.

David Marsh

Options on a three-year trial

LIKE A desert traveller in sight of a water hole, the futures industry is eagerly awaiting introduction of the three-year trial options trading programmes approved last autumn by the Commodities Futures Trading Commission (CFTC).

After three years of wrangling, the Commission produced a test programme last September; it received a congressional go-ahead soon afterwards. Under the programme, each exchange is allowed to offer one option contract for which it must have an underlying futures contract. Eight have submitted proposals to the CFTC, which is expected to move swiftly through the approval process so that trading can begin by, at the least, mid-1982.

The eight proposed options contracts are:

- Commodity Exchange Inc. (Comex), New York, 100 troy ounce gold futures contracts.
- Kansas City Board of Trade, 90-day U.S. Treasury Bill futures contracts.
- Midamerica Commodity Exchange, Chicago, 33.2 troy ounce gold futures contracts.
- New York Coffee, Sugar and Cocoa Exchange (CSCE), sugar No 11 futures contracts.
- New York Futures Exchange *(NYFE), 90-day U.S. Treasury* Bills.
- New York Mercantile Exchange (NYMEX), platinum futures contracts.
- Chicago Mercantile Exchange, bank certificate of deposit futures.
- Chicago Board of Trade, long-term U.S. Treasury Bond futures contracts.

Many traders believe that what options have done for stock market trading—increased its breadth, depth and liquidity—they will do for the futures market as well and that, because the risk is low, the *potential market for options is* larger than the generally wealthier pool of futures traders. Unlike London options, U.S. options will have a fixed expiration date.

Mr. Terrence F. Martell, vice-president and chief economist of Commodity Exchange Inc., *believes the programme* will bring in "a whole new class of buyers" and ultimately an increase on futures contracts as well as buyers who seek to head their options.

Uniform

Exchange officials say that the gold, platinum and sugar option contracts submitted by the New York exchanges are as much like equity options as possible to take advantage of the market of speculators already into equity options. The three exchanges, Comex, Nymex and CSCE, have tried to make their *operations uniform to simplify* the costly operation. In any case, the exchanges estimate that the introduction of the contracts will cost from $1m to $2m each.

All three contracts start with four option contract months. Gold will be on an April, August, December cycle and one month in the next year. Platinum will use a January, April, July and October cycle. Sugar will use a March, July, October cycle and one month in the next year. Both gold and platinum are proposing the same strike price structure.

The last trading day for all three New York options contracts will be the second Friday of the month before the expiration of the underlying futures contract. There are no price limits proposed for any of the contracts.

Traders expressed some disappointment that NYME chose to offer a platinum option rather than heating oil, which is now the exchange's largest market. NYMEX officials, however, were reluctant to abandon the metals field to Comex and wanted to give more time to to development of heating oil contracts. If the test programme proves successful, the CFTC may expand the pro*gramme, in which case* NYMEX will be ready to offer an energy option. CSCE officials have already designed options contracts for cocoa and coffee, in expectation of an expanded programme.

"This is both the best time, and the worst time, to undertake this new venture," Philip Johnson, CFTC chairman, told a House agriculture subcommittee. "It is the best time because every conceivable issue has been fully and exhaustively examined; because economic uncertainty today cries for every price-risk management tool that ingenuity can devise; and because the nation's contract markets have strengthened their self-regulatory systems to the point where we can place greater reliance on them than at any previous time in their history."

It is the worse time, he said, because *budget cutting* has given the CFTC *diminished* resources to deal with expanding responsibilities.

Although the time may be ripe for commodity options, Mr James Stone, former CFTC chairman and now a commissioner, argues that the proposed programme needs greater regulatory control.

"I believe that the risks of abuse in options trading call for cautionary rules and effective enforcement beyond those which will characterise the proposed programme," he said in a letter to the Senate AG Committee.

Mr Stone recommends a *regulatory scheme similar to* that on securities options trading. He wants a uniform suitability rule holding each sales rep and company legally accountable for the suitability of all recommendations urged upon customers.

He also recommends, among other things, stronger protection for illicit floor activities; prohibiting a broker from trading the same instrument for both his own and customer's account; a strict transaction reporting system with the capability of reconstructing a trade; and establishment of *position limits in options* markets.

Mr Johnson believes the fundamental features of the programme, like licensing, financial requirements, segregation and customer funds, can be easily "folded into" existing regulatory programmes.

"There was no need for dozens of new regulations and scores of new personnel to monitor activity similar if not identical to what's already done in futures," he said.

Most traders, bearing what they believe to be a heavy regulatory yoke already, heartily agree. Events over the next three years *should* reveal if they are right.

Nancy Dunne

U.S. FUTURES MARKETS III

'Let the market decide if a contract survives'

Mr Philip McBride Johnson had served six months as chairman of the Commodities Futures Trading Commission (CFTC), when he opened his Wall Street Journal one morning in December and found an editorial urging the dissolution of his agency.

The 43-year-old former commodities attorney had left a thriving Chicago practice with a dollar income in the six figures to take on the $55,300-a-year post as chairman of the much-criticised Commission because he believed that the CFTC could find a way to provide "sensible regulations without stunting the commodity industry's development."

Unlike most who are lured to Washington for the prestige and power of high-level positions and cling to both until the bitter end, Mr Johnson had spurned the chance for a longer term and had taken the job for only three years.

"I wanted a more rounded education," he said in a recent interview. "And I had never developed the animosity felt by the rest of the industry for the CFTC."

Mr Johnson's arrival on the Commission heralded a new era of activity as he broke a backlog of long-neglected actions. The Commission seemed to be rising in industry and public esteem when the Journal editorial appeared.

"The Ghost of CFTC past still haunts," the chairman concluded in a recent letter to Mr E. de la Garza, chairman of the House agriculture committee.

Within the futures industry, Mr Johnson's performance as chairman has been widely applauded.

"People in the industry feel so much better about the Commission," says Miss Margaret Murray of Schnittker Associates, economic consultants. "He's been doing beautifully at deflating all potential issues in reauthorisation."

The CFTC must be reauthorised by Congress this year. Hearings are scheduled to begin this month and are an opportunity for the Commission's critics on Capitol Hill to make changes in its direction—or political bay.

One of the major issues scheduled for legislative scrutiny was a jurisdictional dispute over financial futures between the CFTC and the Securities Exchange Commission (SEC). Mr Johnson moved quickly to defuse the controversy. Rather than fighting it out in Congress or in the courts, he held a series of private meetings with Mr John Shad, the SEC chairman and the two negotiated a compromise.

Under the agreement, which both chairmen want Congress to approve, the CFTC was given jurisdiction over the trading of futures contracts and options on futures contracts. The SEC will regulate options directly on most financial instruments. Some futures contracts on individual securities were placed under a moratorium to await further study.

For their efforts to settle the issue peacefully, the two chairmen received more criticism in the form of a sound drubbing in the Washington Post.

"In an extraordinary series of secret meeting, two top Reagan Administration regulators have drafted a far-reaching agreement that will allow risky new investments to be sold to the public and will directly benefit the businesses the regulators formerly worked for," the Post reported.

Noting that Mr Johnson had formerly represented the Chicago Board of Trade, the Post suggested that the meetings had "skirted" a federal law requiring government agencies to hold public hearings. It complained that "it was not even known that the two commissioners had formally discussed the controversial issues, let alone made a decision until last

Mr Philip McBride Johnson, chairman of the Commodities Futures Trading Commission

Monday when Shad and Johnson held a joint Press conference. . ."

The meetings, although not the substance of the talks, had been reported for months in the Press. "It makes me mad just thinking about it," said Mr Johnson of the article.

A major thrust of Mr Johnson's chairmanship has been to clean up the backlog of new contract requests, some of which have waited years for commission approval. Of the 50 contracts sought, 20 were approved in his first six months of office—compared with two in the first half of 1981.

"People here feel Johnson has shown unprecedented leadership," says Mr Harold Bradley, director of marketing at the Kansas City Board of Trade, where approval is expected this month of the first U.S. stock index futures contract.

The exchange, which now has only one other active contract—hard winter wheat—had submitted the request four years ago. The delay, says Mr Bradley, has severely handicapped the Board of Trade, which has had nothing to offer at a time when financial futures have been booming on the other exchanges.

Mr Johnson, a free market man, believes in approving all contracts which seem viable. "Let the market decide if a contract survives," he says.

In keeping with the philosophy of the President who appointed him, Mr Johnson leans away from blanket regulation and instead has been pushing for strict enforcement of rules already enacted.

To counter consumer fraud, he has been enlisting the aid of state law enforcement agencies and has joined with several states in bringing joint actions against commodity swindlers.

Mr Johnson was one of the prime movers in the formation of the National Futures Association, an industry self-regulating body which will relieve the overburdened CFTC of some of its functions. Finally approved in September, after years of disputes, the NFA will perform financial audits, handle an arbitration system for customer complaints and investigate sales practices. Mr Johnson estimates that it will reduce the CFTC workload by about 10 per cent.

Although backing the introduction of speculative limits on all markets to stop big positions being built up, Mr Johnson does not favour the idea that the Agency should take over the fixing of margins. That job, he claims, is best left to the markets who are far more flexible in responding to any changes needed.

A year ago, it seemed quite likely that the CFTC would either disappear or be merged when coming up for re-authorisation by Congress. Mainly as a result of the new image presented by Mr Johnson, it seems more than likely that the CFTC will be given a new lease of life.

N.D.

Swift action by the new-look Commission

THE Commodities Futures Trading Commission (CFTC), which regulates the U.S. futures industry, bears only a superficial resemblance to the CFTC of a year ago. Gone are the fractious meetings from which few decisive actions emerged; gone is the policy draft arising from the varying philosophies of the four commissioners.

For the first time since 1978, the CFTC now has a full roster of five commissioners. The Carter Administration had never gotten around to appointing a fifth member, so the Reagan administration took full advantage of the oversight to remodel the agency along lines consistent with the President's convictions about free trade.

Mr Philip Johnson, a knowledgeable Chicago commodities attorney, took over the chairmanship in June, and Democrat James Stone, who had been widely disliked in the industry as well as by the other commissioners, stepped down to serve as a commission member. In November Miss Susan M. Phillips, a Republican economist, joined the CFTC, to be followed in early January by Mr Kalo Hineman, a Republican cattleman and wheat farmer. The fifth member and second Democrat is Mr David Gartner, who is due to leave the Commission in April and, because Mr Johnson is a political independent, could be replaced by a Republican.

Abeyance

In relative amity the Commission has moved on a multitude of major issues which have been in abeyance for a long time. Foremost of these have been the approval of new contracts, many of which have been delayed for years.

Five years after the sale of commodities futures options were first proposed and three years after they were mandated by Congress, the Commission is now launching a three-year pilot options trading programme. Under Chairman Stone, who tended to favour heavy regulation, a programme had been bogged down in a dispute over a customer suitability rule, and when the plan was finally resurrected in April, the Commission proposed to allow the sale of futures options on only sugar, gold and interest rates.

When the programme was approved under Chairman Johnson, it emerged in an expanded form, allowing options futures on hard and soft commodities as well as financial instruments. Each exchange will be permitted to offer options on one contract, providing that it has a designated futures contract underlying the option.

The Commission moved swiftly last year on another long-awaited action: approval of a National Futures Association (NFA), a self-regulatory organisation like the National Association of Security Dealers which, with the Securities Exchange Commission (SEC), monitors the securities industry.

A large degree of self-regulation has always been favoured by the industry. As explained by Mr Donald M. Mennel, chairman of the board of the Mennel Milling Co, a long-time Chicago Board of Trade member, "those intimately involved through market participation know potential conflict areas where irregularities may exist. Symptoms of abuse will show more clearly to the experts. The intelligence network will work more quickly as a result and surveillance will be enhanced by this first-hand monitoring."

The NFA is designed to free Commission resources for supervisory functions, like the reviewing of proposed futures contracts and exchange rules. Initially, it will maintain surveillance over non-exchanged futures commission merchants and the handling of funds by commodity pool operators. Eventually, it may administer qualification examinations to off-exchange commodity professionals and draw up uniform rules on the sale of commodity futures.

The Association will include in its membership all industry participants which deal with the public, and membership will be compulsory.

Mr Leo Melamed, president of the NFA, sees the Association as the next step in the evolution of the U.S. futures markets. Self-regulation has become complex, he says, with 11 autonomous exchanges, each with its own rules. Brokers belonging to more than one exchange may confront conflicting requirements.

"Our industry has reached the level of national and international visibility and participation that seems to demand one form or another of a unified national association," he says.

Despite its accomplishments last year, the Commission has not been without its critics, especially in Congress which produced a report condemning the CFTC's handling of the 1979-80 silver market crisis. The House government operations committee report concluded that "faced with dramatic and disorderly market conditions, the CFTC took none of the specific preventative or emergency actions allowed under the Commodity Exchange Act."

In the law establishing the Commission in 1974, Congress had specifically identified one commodity, silver, as needing immediate and effective regulation.

"In spite of this mandate," the report complained, "the

The New Orleans futures exchange, launched in April, 1981

Commission took no action to regulate silver for seven years, including the imposition of speculation position limits which Congress had anticipated."

The Commission moved quickly again to defuse the criticism, however. Even before the release of the report, it passed a heavily-worded rule requiring the imposition of speculation limits by each exchange. That rule, along with revised minimum net capital requirements for brokerage houses and a rule requiring additional capitalisation for undermargined accounts, is designed to help prevent a re-occurence of a crisis like the silver collapse.

In one area, Philip Johnson's commission has not moved with speed. It has not yet acted, and may not act, on a long-proposed foreign traders' rule, which would require a broker who carries an amount for foreigners to obtain certain information on behalf of the Commission. If the Commission were not given the information on request, the broker would be required to liquidate the customer's account.

Information

The proposal has much support among American traders who feel foreigners should be subject to "equal treatment" in demands for information disclosure. However, Philip Johnson and other industry leaders worry that the rule would deter British and Swiss traders who are required by their nations' laws not to give out confidential information. They believe the rule would discourage arbitrage between the U.S. and London and would cripple the price levelling mechanism which keeps U.S. and foreign market prices roughly in line with each other.

Mr Johnson has been studying an overall information gathering rule for all traders as an alternative to the foreign trader's rule, and he has been meeting with officials at the British Embassy in an attempt to work out other procedures.

The Commission has one of its toughest tests yet to come. Congressional reauthorisation hearings are scheduled to begin in February, and they will be conducted in an atmosphere of federal budget cutting and an emphasis on deregulation. Already under discussion is a controversial proposal to levy a "user's fee" on commodity trades in order to finance the Commission's budget. There is some fear, too, that Congress will attempt to strip the agency of some of its powers and transfer some of its responsibilities to the SEC or the Federal Reserve.

While it is widely agreed that the CFTC is working more efficiently than in the past, changes within the futures industry may require that the Commission change as well. The industry, according to Commissioner Phillips, has become more internationalised.

"We must worry more than ever about events such as crop failures in Russia, bank nationalisation in Iran and factors such as exchange rates and the international supply and demand of funds," she says.

The markets have dealt with the oil crisis, which spawned energy futures; inflation, which makes the cost of carrying inventories more expensive; and advances in technology, which may ultimately make obsolete face-to-face contact between traders.

The stunning growth of financial futures brought about the jurisdictional controversy between the CFTC and the SEC. Although a solution is being negotiated by Mr Johnson and Mr John Shad, SEC chairman, the strong possibility remains that one day the two Commissions may be merged into one super agency overseeing trading and investment.

Mr Johnson, himself, does not deny that the future might hold such a marriage. But for now, the Commission is pushing for re-authorisation. Thanks to a year of achievements it is going into the hearings in a stronger position than anyone thought would be possible a year ago.

N.D.

On these two pages our correspondents review the performance of and prospects for the futures exchanges

Language of the trade, from the left: sell, buy, ¼ cent, ½ cent, ¾ cent, 1 full cent

Triumph in financial futures for mid-West

Chicago

THERE is no doubt about it. The Chicago exchanges have totally crushed the efforts by New York to move into financial futures—a triumph for the mid-West. While financial futures trading on the New York Futures Exchange (NYFE) and Comex has virtually disappeared, it is flourishing greatly in Chicago.

Two successes were chalked up last year by the International Monetary Market (IMM) division of the Chicago Mercantile Exchange, which claims to have initiated financial instruments futures with the introduction of the foreign currency markets nearly 10 years ago.

Since then, the IMM has established a dominant role in short-term interest rate futures. It has the biggest Treasury Bills (90 days) market, and has consolidated its hold still further with the introduction of contracts for Certificates of Deposits (in July last year) and Eurodollar futures (in early December).

The CD contract was claimed to have the most successful launch for any new market and turnover has grown rapidly. Volume on the new Eurodollar contract has not been so great, but the IMM point out that the open interest is at a high level indicating that users of the market are establishing longer positions than the very short-term trades by "locals" in other markets.

The Eurodollar contract is unusual in that it is the first "foreign" interest rate traded and is attracting a far higher proportion of overseas business than the domestic interest rate contracts. It is acknowledged as having probably the greatest potential and is in line with the IMM ambition to expand business from overseas.

A major development planned for this year is the formation of a new division of the Exchange: the Index and Options Market (IOM). The proposed division, which has yet to be approved by the membership, will create a special exchange, alongside the IMM and CME, to trade in indices futures, including the Standard and Poor's 500

stock index, and certificate of deposit options, both of which are to be introduced this year. The idea is that the new IOM division will also incoporate the existing contracts of the Exchange's other division: Associate Mercantile Market.

At present there are 500 members of the parent Chicago Mercantile Exchange, which has flourishing markets for livestock — having launched the concept of markets for live cattle and live hogs—as well as for pork bellies and other agricultural products. There are 650 members of the IMM, which trades gold, foreign currencies and interest rate futures, and 150 AMM members.

Members of these divisions will be offered the right to purchase IOM membership at a reduced rate of $30,000 and a further 200 seats on the IOM at a cost of $60,000 each will be offered to non-members.

This expansion should help to fuel, and finance, the expansion of the Mercantile Exchange, which has grown apace in recent years and is no longer overshadowed by its big brother down the road—the Chicago Board of Trade.

The Board of Trade is still, however, by far the biggest Exchange. Although its famed grain and soyabean contracts suffered severe setbacks last year as a result of the agriculture depression, the long-term Treasury Bonds market expanded enormously and it has the biggest Ginnie Maes (national mortgage loans) contract.

Prospects for Ginnie Maes are somewhat clouded, with the Administration believed to be keen to phase them out in line with a general reluctance to fund fixed-interest loans over a long period. However, the Board of Trade is planning to introduce a new 10-year Treasury Notes contract, soon after trading space is increased by the move to new premises, attached to the existing building, planned on February 16.

The Board has temporarily shelved plans for a Eurodollar contract on the basis that it would be competing with short-term interest markets, where the Mercantile Exchange has established a leading role. For the moment it is concentrating on building up longer-term interest-rate contracts and also planning to move into energy futures—three separate contracts for heating oil, gasoline and crude oil have been drawn up.

It is also proposing to introduce a stock indices contract, possibly based on the New York Stock Exchange index. Talks have been going on with the New York Futures Exchange, which could be expected to have prior right to its parent's index, to establish an "electronic linkage" between the two exchanges.

The re-election of Mr Leo Rosenthal, who initiated the talks with the New York Exchange, as chairman of the Board of Trade suggests the bid to establish a linkage, and thereby probably save NYFE from extinction, will go ahead. Another proposal that the Board of Trade should enter into a joint venture with its previous "child"—the Chicago Options Exchange—on options trading is not so certain. Whatever happens, however, a Treasury Bond options contract will be introduced this year as part of the three-year trial programme.

J.E.

CHICAGO BOARD OF TRADE

	Jan-Dec 1980	Jan-Dec 1981
Wheat	5,428,160	4,511,394
Corn	11,946,975	10,674,986
Oats	320,934	370,183
Soyabeans	11,768,197	10,489,932
Soyabean oil	3,167,895	3,047,490
Soyabean meal	3,218,690	3,039,633
Iced broilers	4,079	0
Silver (5,000 oz)	341,033	214,296
Silver (1,000 oz)	0	184,776
Gold (3 kg)	78	0
Gold (100 oz)	71,401	14,749
Plywood (76,032 sq ft)	169,550	144,318
Western plywood	0	30,871
GNMA mortgages, CD	12,619	175
GNMA mortgages, CDR	2,325,892	2,292,882
Commercial paper (90-day)	15,996	49
Commercial paper (30-day)	67	0
Treasury notes (4-6 year)	450	2,721
Treasury bonds	6,489,555	13,907,988
Domestic CD (90-day)	0	158,320
TOTAL	45,281,571	†49,085,763

† November volume adjusted by CBOT.

Source: FIA monthly volume report.

CHICAGO MERCANTILE EXCHANGE

	Jan-Dec 1980	Jan-Dec 1981
Fresh eggs	2,798	13
Potatoes	2,481	973
Live hogs (30,000)	2,153,767	2,258,083
Pork bellies, frozen	2,250,945	1,997,697
Live cattle (40,000)	5,997,047	4,282,293
Broilers	45,237	20,048
Lumber	838,676	635,934
Stud lumber	2,198	158
Plywood (152,064 sq ft)	0	386
Feeder cattle	874,313	620,885
Pound sterling	1,263,750	1,491,102
Canadian dollar	601,925	475,585
Deutsche Mark	922,608	1,654,891
Japanese yen	575,073	960,598
Mexican peso	19,301	18,905
Swiss franc	827,384	1,518,767
Dutch guilder	4	4
U.S. silver coins	10	6
French franc	144	2,080
Gold (100 oz)	2,543,419	2,518,435
Treasury bills (90-day)	3,338,773	5,631,296
Treasury bills (1-year)	604	0
Treasury notes (4-year)	338	0
Domestic CD (90-day)	0	423,718
Eurodollar (3-month)§	0	15,171
TOTAL	22,261,295	24,527,020

§ Trading inaugurated December 9 1981.

Source: FIA monthly volume report.

MIDAMERICA COMMODITY EXCHANGE

	Jan-Dec 1980	Jan-Dec 1981
Wheat (1,000 bushels)	*550,950	279,082
Corn	440,615	513,953
Oats (5,000 bushels)	2,364	4,176
Soyabeans	1,052,707	849,169
Silver (1,000 oz)	209,494	143,051
Gold (33.2 oz)	447,494	469,468
Live cattle (20,000)	186,831	119,596
Live hogs (15,000)	103,181	100,139
Treasury bonds ($50,000)	0	109,944
TOTAL	*2,993,636	2,588,540

* Corrected.

Source: FIA monthly volume report.

MINNEAPOLIS GRAIN EXCHANGE

	Jan-Dec 1980	Jan-Dec 1981
Wheat	333,610	357,779
Sunflower seeds	27,368	14,845
TOTAL	360,978	372,624

Source: FIA monthly volume report.

One ingredient still missing

New Orleans

NEWEST, and by far the most elegant, futures exchange in the U.S. was launched last April in New Orleans. Housed in the historic Board of Trade building, the new Exchange provides almost ideal trading conditions: modern communications mixed with pleasant, comfortable, surroundings. It has the only international futures market for rice (both milled and rough) and special contracts for short staple cotton and soyabeans, geared to the export markets and the crops produced in the fertile Mississippi delta.

Unfortunately one vital ingredient is missing at present: sufficient volume of trade to make the market a viable proposition.

As a result the value of seats has fallen from a peak of $17,000 to $7,500 disappointing those holders who bought them as an investment. That suits the Exchange, who want active rather than passive traders and are hoping that the bargain price of seats will attract the kind of entreprenurial individual to breath new life into the market.

Apprerticeship

Mr Robert Martin, president of the Exchange, points out that New Orleans can provide the ideal apprenticeship for traders coming into futures. But he is keen to ensure there is also sufficient trading experience around to guide the fledgling exchange in the right direction.

Mr Martin is an ex-chairman of the Chicago Board of Trade and was subsequently one of the five commissioners on the Commodity Futures Trading Commission. So he is well qualified. He estimates that by trimming back costs the Exchange can survive until the present depression in virtually all the U.S. agricultural markets lifts.

New Orleans has had bad luck in that all three of its contracts have been introduced in "bear" markets, when there is little need to hedge against price volatility and limited scope for speculators.

Nevertheless, Mr Martin and members of the Exchange are confident that New Orleans will take off once better times arrive for the farming industry. New Orleans is a main export outlet for rice, cotton and soyabeans, so its prices, incorporating freight charges to the gulf ports are particularly relevant for buyers overseas.

At the same time the Mississippi delta area is an important producer of these crops, particularly rice and cotton. With no other international rice futures market in the world, New Orleans hopes eventually to set the world price.

Ronald Boyd, Merrill Lynch rice specialist on the Exchange, is optimistic that interest in the market, which has already attracted international attention, will flourish especially when trading specifications are altered to suit the industry.

There is equal optimism that the New Orleans short-staple cotton contract, again the only one of its kind, will gain the support of producers and traders in this type of cotton where prices often move at variance with the longer staple type traded in New York.

Cotton is very much the tradition in New Orleans—it provided the main source of income for the city until hit by the competition from man-made fibres. Now cotton is staging a comeback and New Orleans expects to share in this revival once the textile industry comes back to life. The newly introduced soyabeans contract is based on the higher quality export crop and is, therefore, not directly comparable with the Chicago contract.

But for exporters, and overseas buyers, the New Orleans soyabeans contract once it attracts sufficient support could have considerable interest. New Orleans is planning to apply for a maize (corn) export grade contract, too, but that will be the extent of its ambitions for the time being.

Meanwhile, the Exchange will just have to hope that the fortunes of the U.S. agricultural industry recovers in sufficient time to revive interest in futures trading.

J.E.

NEW ORLEANS COMMODITY EXCHANGE

	Jan-Dec 1980	Jan-Dec 1981
Rice, milled	0	10,249
Rice, rough	0	11,478
Cotton	0	9,271
Soyabeans	0	4,997
TOTAL	0	35,995

Source: FIA monthly volume report.

The winners in oil and metals

New York

New York has finally thrown in the towel and conceded victory to Chicago in the financial futures business. If New York commodity exchanges, which barely a year ago were still bragging they would threaten Chicago's dominance in financial futures trading, have all but given up on financial futures, they have easily outmanoeuvred Chicago in precious metals trading and in the fast-emerging petroleum futures market.

Despite a rough year for precious metals prices, the New York Commodity Exchange (Comex) firmly established itself again as the major hedge market in the U.S. for silver and gold. The volume of gold contracts traded on the Exchange increased by a remarkable 25 per cent to 10.4m contracts last year, compared to just over 8m contracts in 1980 in a year when the price of gold fell by an equivalent percentage. Comex's last remaining pretender for a share in the gold futures action, the Chicago Mercantile Exchange's International Monetary Market (IMM), traded only 2.5m gold contracts last year.

In silver trading, Comex also wiped out the Chicago Board of Trade (CBOT), retaining what silver market has been left after all the bad Press and the slump in the price of the metal. In the past 50 days, an average of 7,259 silver contracts a day have been traded on the Comex. Volume last year increased to 1.2m contracts from 1m contracts in 1980 while at the CBT volume was down 26 per cent. The Chicago Exchange is now trading two silver contracts, including a traditional 5000 troy ounces contract like the Comex contract and a new 1000 troy ounce contract.

The main reasons why the Chicago Board of Trade has lost out in the silver battle with Comex are the changes in tax legislation introduced by the Reagan administration which have hit the traditional, tax-related straddle activity on the CBT and the fact that the Hunt brothers of Texas, oil billionaires who once held large positions in Chicago, have now been driven out of the market.

At the same time, Comex traders believe Chicago made a major error in splitting its silver contract so that the 5000 ounce contract is trading simultaneously with the smaller 1000 ounce contract. The split, they claim, has divided people's loyalties and drained some of the liquidity out of the market.

Copper, too, managed to hold up in the face of generally depressed conditions with copper prices plunging and major production shut down by U.S. producers. The volume of copper contracts traded on the Comex last year totalled 1.6m contracts, compared with 1.8m contracts in 1980.

Financial futures were at one stage the rage in New York as they currently seem to be in London. The New York exchanges pumped up the propaganda about financial futures, claiming contracts in a variety of financial instruments from treasury bonds to certificate of deposits would become the hottest game in town. The trend, first started by Chicago in 1975, quickly swept New York with the American Stock Exchange (AMEX) opening a futures market in 1978 and then, with a mighty clamour, the New York Stock Exchange opened its New York Futures Exchange (NYFE) in August 1980. New York was about to become a rising force in financial futures soon to challenge Chicago.

The Amex futures exchange no longer exists. It was absorbed by Comex which started its own financial futures market in 1979.

The NYFE is in deep trouble. The value of NYFE seats for non-stock exchange members has been falling steadily from the initial offering price of $20,000 to under $8,000. The NYFE at one stage last year was discussing a possible merger with Comex or, at least, to set up joint ventures which would have given the NYFE access to Comex's metal trading business.

The talks broke down and NYFE subsequently reached an agreement with the Chicago Board of Trade, no less, whereby the two exchanges would be electronically linked. This would allow a member of one exchange to execute through a member on the floor of either exchange trades in financial futures and other contracts which have been approved or may in the future be approved for trading on either exchange.

The NYFE-CBOT deal caused an uproar in Chicago with many Board of Trade members questioning the advantages of the arrangement with the New York exchange. The deal will give the CBOT access to the NYFE's proposed new contract based on the New York Stock Exchange's equity index as well as an important foothold in New York.

If equity index futures are increasingly becoming the vogue, financial futures, at least in New York, have lost most of their earlier glitter. Indeed, financial futures have emerged as a hit-and-miss business and only three out of a total of 30 financial futures contracts traded in U.S. exchanges have been successful. If financial futures are now no longer the subject of enthusiasm in New York, petroleum futures have so far proved winners for the New York Mercantile Exchange.

The Mercantile Exchange introduced its first heating oil futures contract in 1978. Trading has since grown substantially with the average daily volume exceeding 4,000 contracts last year and hitting peaks on certain days of more than 9,000 contracts. The Mercantile Exchange has now followed up the success of its initial contract with a new heating oil contract for delivery in the U.S. Gulf Coast as well as for delivery in New York.

The Merc also received government permission last autumn to become the first U.S. exchange to list futures contracts in petrol. And the New York Cotton Exchange, better known for orange juice futures which have been somewhat volatile as a result of the freak freezes in Florida, began trading last December a liquified propane gas futures contract. The unsettled state of the oil market has boosted the popularity of these petroleum futures as hedges to price fluctuations, especially after the decontrol of domestic oil prices in the U.S. and now with President Reagan's proposals to decontrol domestic gas.

The exchanges are also bullish about the prospects of option trading. A pilot programme approved by the Government now allows commodity exchanges to offer an option contract in one of their underlying contracts. Comex, for example, has submitted an application to trade a gold option contract, which it hopes will broaden the potential audience of the market. Officials admit that the option contract scheduled to be listed in the spring or summer is unlikely to get off to a roaring start if the price of gold continues to fall. The gold options contract coupled with a proposed gold coins futures contract are good examples of how the New York exchanges are going back to basics after a somewhat unhappy flirtation with financial futures.

Paul Betts

NEW YORK COMMODITY EXCHANGE

	Jan-Dec 1980	Jan-Dec 1981
Copper	1,848,080	1,647,380
Zinc	28	3
Silver (5,000 oz)	1,058,734	1,240,720
Gold (100 oz)	8,001,410	10,373,706
Treasury bills (90-day)	76,081	1,052
Treasury notes (2-year)	17,653	30,188
GNMA mortgages, CD	7,403	0
TOTAL	11,009,389	13,293,049

Source: FIA monthly volume report.

NEW YORK COFFEE SUGAR & COCOA

	Jan-Dec 1980	Jan-Dec 1981
Coffee "C"	906,944	515,302
Sugar No. 11	3,576,662	2,470,327
Sugar No. 12	13,839	14,333
Cocoa (30,000)	187,309	0
Cocoa (10 tonnes)	201,662	562,651
TOTAL	4,886,416	3,562,613

Source: FIA monthly volume report.

NEW YORK COTTON, CITRUS & PETROLEUM

	Jan-Dec 1980	Jan-Dec 1981
Cotton No. 2	2,490,405	1,415,213
Orange juice, frozen concentrate	162,864	387,182
Propane	25	496
TOTAL	2,653,294	1,802,891

Source: FIA monthly volume report.

NEW YORK MERCANTILE EXCHANGE

	Jan-Dec 1980	Jan-Dec 1981
Palladium	62,217	40,822
Platinum	429,708	490,493
U.S. silver coins	6,808	41
Gold (1 kg)	16	0
Imported lean beef	24,119	7,976
Potatoes	393,759	237,411
No. 2 heating oil, NY	238,284	995,506
No. 2 heating oil, Gulf	0	1,856
Leaded regular gasoline, NY	*0*	*7,300*
Leaded regular gasoline, Gulf¶	2	2
TOTAL	1,154,905	1,781,407

¶ Trading inaugurated December 14 1981.

Source: FIA monthly volume report.

NEW YORK FUTURES EXCHANGE

	Jan-Dec 1980	Jan-Dec 1981
Treasury bills (90-day)	32,452	9,766
Treasury bonds	139,410	162,942
Domestic CD (90-day)	9	117,807
Pound sterling	7,352	37
Canadian dollar	692	4
Deutsche Mark	258	3
Japanese yen	199	13
Swiss franc	3,630	13
TOTAL	183,993	290,585

Source: FIA monthly volume report.

Leader in stock index futures

Kansas

KANSAS CITY and the Minneapolis Grain Exchange are small fry compared with the giant Chicago futures exchanges. Yet Kansas is reputed to have dreamt up the concept of a stock index futures contract, which has now been enthusiastically taken up by the bigger exchanges, who see it opening a whole new sector of business.

As a result of being ahead of its time, Kansas City will have the advantage of introducing the first stock index futures contract since it was the leader in seeking approval for such a contract from the Commodity Futures Trading Commission (CFTC) nearly four years ago.

The proposed Kansas contract is to be based on a value line composite average, which it is claimed provides an accurate barometer to total stock market movements and can, therefore, be used to protect the value of share portfolios.

The Eurodollar contract launched by the Chicago Mercantile Exchange has already introduced the principle of cash settlement—this is, the value of the contract as it expires—opening the door for futures markets in other areas, such as stock indices, where no delivery is possible.

Kansas is understandably upset by the long time taken by the CFTC in approving its stock index contract, which meant it missed out on the first part of the financial futures boom.

The advantage of launching the first futures contract, however, should give Kansas the lead in this totally new sector. If it proves a success the extra business gained could boost the prospects for Kansas considerably.

Meanwhile the existing Kansas futures contract for hard red winter wheat continues to attract sizeable trading interest with turnover topping 1m contracts again last year, in spite of the depression in the grain industry.

Wheat futures on the Minneapolis Grain Exchange also held up well last year, albeit at a lower level. But the sunflower-seed contract introduced there has lost support and could well be replaced by a new market planned by the Chicago Board of Trade.

Little known, but handling a large volume of trades (over 2.5m in 1981 against nearly 3m in 1980) is the Mid-America Commodity Exchange, housed right next door to the Chicago Board of Trade.

Mid-America, which acts as a sort of training centre for the Board of Trade and Mercantile, deals mainly in mini-contracts duplicating bigger brethren on the other Chicago exchanges. Its wheat contract, for example, is for lots of 1,000 bushels compared with 5,000 bushels on the Board of Trade.

This year, however, it will introduce an exclusive contract of its own for refined sugar. Based on the domestic refined U.S. market the contract may not have a lot of appeal to international traders, but it does mark a departure by the Mid-America Exchange into new territories and may result in a wider market in the years ahead.

J.E.

KANSAS CITY BOARD OF TRADE

	Jan-Dec 1980	Jan-Dec 1981
Wheat	1,297,757	1,181,884
TOTAL	‡1,298,047	1,181,884

‡ Includes 290 sorghum contracts.

Source: FIA monthly volume report.

TECHNOLOGY

EDITED BY ALAN CANE

Sony in the groove with compact disc

ELAINE WILLIAMS reports on the compact audio disc developed by Philips in the Netherlands and Sony in Japan.

A NEW type of audio disc to titillate the palate of jaded music lovers will be introduced before the end of the year.

It is the compact disc developed by Sony in Japan and Philips in the Netherlands, which has a sound quality presently beyond all but the most expensive hi-fi system.

This tiny 4¾ in diameter disc can play an hour of music on only one side and cannot wear out because it is scanned by a laser.

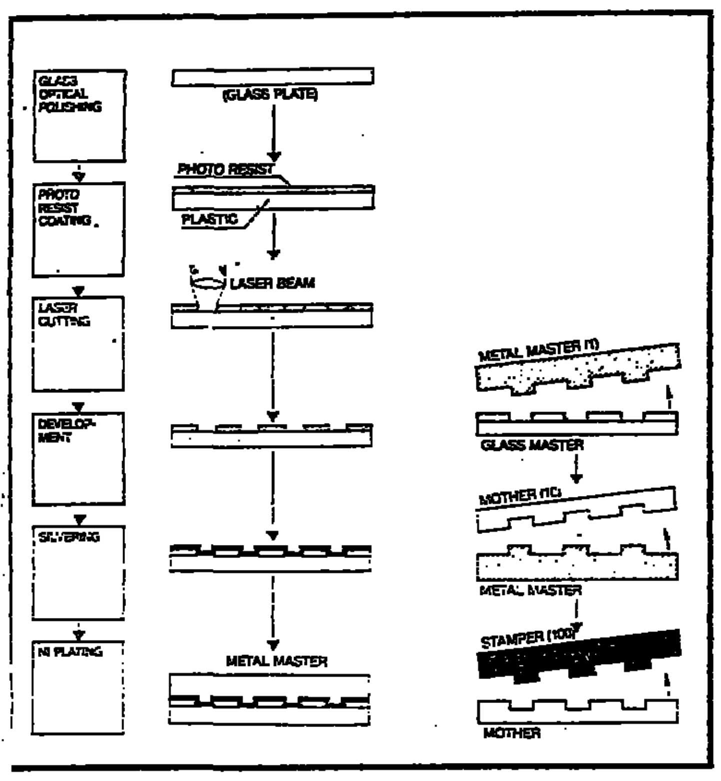
Sony is likely to be the first to introduce the compact disc system in November followed by Philips in spring 1983.

So far 30 audio manufacturers including Grundig, Bang and Olufsen, Hitachi, Sanyo, Toshiba, Akai and Sharp have agreed to conform to a common standard for the disc thus avoiding the problems of standardisation encountered in the video world for discs and tapes.

Only JVC is pressing ahead with its own system based on its VHD videodisc systems which is to be introduced later this year. However, Matsushita, which owns 51 per cent of JVC, has also joined the compact disc movement, which effectively keeps its options open.

The music and hi-fi equipment industries welcome this new technology because both markets are in the doldrums. For several years record sales have declined in the face of home record taping and illegal pirate records—the latter flaunt copyright rules.

Sound is encoded on the disc, in the form of microscopic pits and flat areas along a 2½ mile track on the 4¾ in diameter disc. It is protected against dust and dirt by a transparent plastic layer. Even surface scratches do not affect the sound quality because the laser stylus is focussed on the pits below the plastic.



Disc manufacture is akin to conventional record production once the glass master has been produced. A laser beam forms the tiny information pits on light sensitive lacquer covering the glass. Unwanted areas are etched away and this is used to make a more robust metal master for mass production.

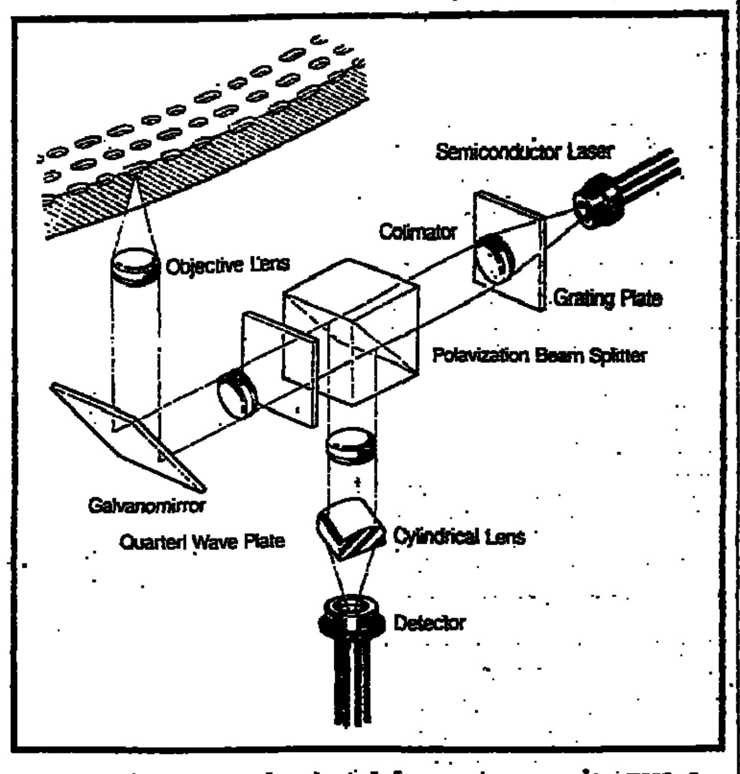
Each compact disc contains more than 5bn digital sound signal bits. This does not include all the extra bits used to control the speed, detect errors and provide information about the disc. They are laid out in a helical track and organised into groups of 16 bits to represent one unit of sound information.

As the disc rotates—its speed varies from 200 to 500 revolutions per minute—it is scanned by the laser. This produces a beam of light several times thinner than a human hair. The beam detects the sequence of pits and spaces at a rate of 4.3m bits per second.

The JVC system uses a spiral groove and tiny pits on a 10 in disc. A stylus glides over the disc's surface sensing changes in electrical capacitance.

JVC says that a special decoder is needed to link the videodisc machine and the hi-fi system to play the audio discs. However, it is unlikely that JVC audio discs will be available before the middle of next year.

Philips will make its compact disc player at Hasselt in Belgium which has been involved in the company's audio products for several years.



The optical approach adopted by most companies uses a laser-beam stylus which reads the pits and spaces between as a digital code.

Extra noise

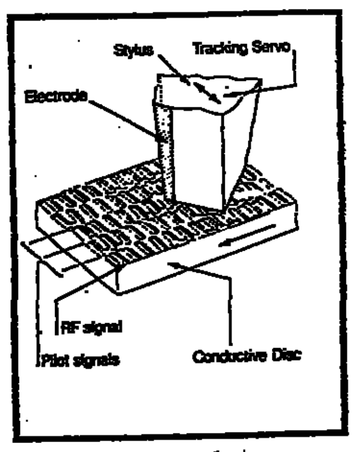
Mr Gerry Harrison, who will be responsible for the launch of the system in the UK, says that players will cost about £300 initially dropping to between £200 and £250 in the long term, which is comparable with today's most expensive record decks.

The players will link into the existing audio hi-fi amplifiers and so do not require additional expenditure. But the discs will be more expensive than conventional LPs at about £8.

Conventional LP sound quality is affected by dust, dirt, and imperfections in the groove. The stylus is also the link through which the rumble of the spinning turntable and the tone arm resonance is transmitted to the system's amplifier adding extra noise.

According to Gerry Harrison: "We've done a lot of fiddling around with the conventional record systems to reduce these unwanted sounds, but we've nearly reached the limits of the mechanics."

In the professional music studio many songs are already recorded digitally because it produces a better quality master for mass production so companies says that it makes sense to bring digital techniques into the home.



JVC uses a metal stylus which runs over the disc's surface. Tiny pits carry the data which is detected as varying electrical capacitance.

The coding system on the compact disc has far more capacity than is needed for sound reproduction. The player can be programmed to play the tracks in any order, to display track titles and other information about the tracks as they are played.

With such a small disc, the player is no larger than a cassette so it can be used for portable equipment and in cars. Until now there has been no satisfactory portable system for discs.

Discs will be produced by companies such as PolyGram in Germany and CBS/Sony in Japan which are already installing the disc pressing equipment. "Software will be very important to the success of the discs. We intend to offer more than 100 different titles with the day of launch," said Mr Harrison.

"Unlike video, there are no problems associated with artists copyright which have to be solved and there is a lot of material available which can be transferred to disc," he said.

Mr Harrison said that the discs can be produced in two ways; by injection moulding or by the 2P process developed for the larger video discs. Philips has chosen injection moulding for the small discs while Sony is using the 2P process.

This involves coating a glass plate with a photoresistive material. A powerful laser beam cuts out the pits corresponding the recorded digital code for the audio signal.

After undergoing a silvering process this becomes the glass master which is pressed against a nickel plate to make a reverse copy. This nickel master is then used to make other copies to form the production stampers.

Once pressed the discs are covered in a reflective material so it can be read by laser followed by a final plastic coating for protection.

Eindhoven research on friction problem

BY GEOFFREY CHARLISH

PHILIPS RESEARCH in Eindhoven, which for some 20 years has been investigating spiral groove bearings, reveals that such components are now being mass produced for use in the Video 2000 cassette recorders.

Domestic products ranging from shavers to cine cameras have always posed a problem for manufacturers: the bearings must have low friction, smooth performance (for example, to avoid tape speed cyclic variations) long life, and above all they should need no attention during the life of the product.

In the early days, oil had to be applied by the user; later, sintered metal bearings were introduced in which the small voids in the metal stored oil for permanent lubrication.

The Philips work has produced designs in which helical grooves are used in journal bearings or spirals in thrust types. A specially developed grease is employed in the grooves. When relative motion of the surfaces occurs, pumping action of the grooves produces overpressure in the grease, keeping the surfaces apart, eliminating wear and reducing friction.

Philips has looked at both metal and plastics for the bearing components. Plastics have the disadvantage that they are less able to conduct frictional heat away from the bearing.

However, they transmit vibration less readily between shaft and frame, and also they do not accelerate oxidation of greases, giving a longer life.

The company can produce either type: special tools have been developed for cutting the grooves in metal components.

Hitachi announces two high capacity memories

TWO large capacity memories have been announced by Hitachi for applications such as speech synthesis, character generation and in floppy disc systems.

The biggest is a read only memory having a capacity of 256k. The NH61256 is a mask programmable CMOS device which has a power consumption of 0.5mA in active mode.

The second memory is the 128k bit HN613129P which is a high speed, low power device with access times of 250ns.

Splicer for optical cables

A DEVICE for producing high-quality splices between optical fibres and cables has been developed by Cabloptic SA, of Avenue François-Borel, CH-2016 Cortaillod NE, Switzerland.

The autonomous splicer fuses the fibre extremities superficially, using a flame as energy source to guarantee precise control of the heated zone.

Gas reserve

Working with a comparatively long splicing time of about one minute, the device allows the surface tension of the liquid quartz film to provide perfect automatic centring of the two fibres to one another. The gas reserve and sealed batter incorporated into the splicer provide a total autonomy of several hours, during which over 80 splices can be made.

Software for Britain

MANAGEMENT Science America, MSA, is making its Peachtree software for microcomputers available in the UK.

The company says that the small business user will have the chance to buy business software such as financial forecasting, sales ledger, inventory management and word processing programmes to suit all leading microcomputers.

Last year Peachtree software was chosen by IBM for its personal computer. More information on 0628 71011.

BUILDING AND CIVIL ENGINEERING

Airport control rooms

THE IRREPRESSIBLE growth in worldwide airport construction, which continues to provide one of the few really bright spots on the international civil engineering scene, is also working wonders for a small UK fabrication specialist.

Aluminium Alloy Fabrications (Alifabs), based in Woking, Surrey, may be "small fry" in corporate terms but long experience, soundly-based growth and more than a touch of entrepreneurial flair are enabling it to make an impact in an international market which it has itself helped create.

Alifabs—started 25 years ago by a structural engineer and an accountant—can hardly claim a history of meteoric success. Today it employs 50 people, has annual sales of £1.5m and operates from modest premises on a modest industrial estate tucked away behind the local golf club.

The foundation of the business has been in using its engineering expertise to convert invariably awkward architectural concepts into tangible buildings, via the use of aluminium.

About 13 years ago, the company used its experience in aluminium to launch a range of standard building products likely to provide some all-important bread and butter business.

The strategy paid off, and Alifabs' expansion joints, wall copings and gutters are now widely used by the construction industry, not only in the UK but in overseas markets like Saudi Arabia, Hong Kong and the West Indies.

But the company's heart still clearly lies in its specialist capabilities and it has been able to combine these with its desire to build up international business by concentrating much of its overseas effort on the provision of an integral part of any airport development.

With 60 new airports a year currently being developed, Alifabs thinks the potential is enormous, and is now receiving inquiries from the Far East. Closer to home, the company is providing the new £100,000 control room for Liverpool's Speke airport.

The control rooms, usually found perched on the top of strategically located columns, are almost endless in their permutations and can be made to suit the largest international airport complex or the smallest local terminal.

According to Mr Frank Adlam, Alifabs' chairman: "We believe the scope in this area is enormous and there are few companies capable of offering standards and specifications which compete with ours. Aluminium is more expensive than alterantive materials but it can provide all the qualities which are required of a structure which may have to withstand every extreme in climate and which may rarely be maintained.

The company's domestic and overseas sales have already risen by nearly 60 per cent in the past two years and foreign markets now account for about 40 per cent of all sales. The target is to push total sales up by a further 20 per cent in 1982-83, with the emphasis on overseas contracts.

WHAT'S NEW IN BUILDING

A VERSATILE dense building block (the D3S), which it is claimed can be quickly and easily laid with one hand, has been introduced by Beachcroft Concrete Partitions, a member of the Phoenix Timber Group.

Measuring 200mm x 140mm x 260mm, it has been developed to meet the need for a dense general purpose block which also satisfies the Building Regulations for single leaf party walls.

The D3S has an indentation in the top for the BCP Blocade lifting tool. Used in conjunction with the D2S block, it enables neat openings to be built and facilitates bonding of party walls with orthodox block walls while retaining the running bond in both, without involving any block cutting.

It is said to be particularly useful for laying header bond on strip foundations for the 260mm wide base of a wall of normal brick-cavity-block or block-cavity block construction. As a dense masonry block the D3S can be used in this position (below the damp proof course) without any need for certification.

The D3S blocks cost £8.67 per square metre for delivery in the UK, including crane-offloading and shrink wrapping.

More from Beachcroft Concrete Partitions, 80 Capworth Street, Leyton, London E10 (01-539 7768).

*

GKN Mills Building Services has extended its hire range of

access equipment with the introduction of two trailer-mounted hydraulic access platforms, Topper Roto-Zoom-Boom 12 and 15. TRZB 12 is operated by two motors and has a maximum height reach of 12 metres, while TRZB 15 is three-motor operated and reaches 15 metres in height. Both platforms were chosen for their boom configuration which allows a greater variety of cage positions (01-567 3083).

*

JUST PUBLISHED by the Cement and Concrete Association is a report *Further investigations into load-spreading of concrete block paving* (Ref: 42.545) which covers tests carried out to establish whether the type of sub-base influences a reduction in stress, particularly as flexible sub-bases are often used. The tests showed that the load-spreading is greater on a flexible sub-base and the resulting horizontal force experienced by an edge restraint is low. The report costs £2.25.

C and CA has also issued a booklet on *Plastic cracking of concrete* (Ref: 45.038) which is intended to help site supervisors to avoid plastic cracking during the placing, finishing and curing of concrete. Both publications are available from the C and CA, Wexham Springs, Slough, SL3 6PL.

Bad times for precast concrete industry

PROFIT MARGINS for the UK precast concrete industry have been slashed to as low as 2 per cent and returns on capital now stand at a 12-year low of 6 per cent. This has happened, according to the British Precast Concrete Federation, despite increased sales per employee.

Cuts in public and private expenditure over the past two years have forced many operators to rationalise an already heavily capitalised industry. Employment has fallen by about 20 per cent to 19,000 since the present government took office,

CEMENT PRICES IN EUROPE*

Country	Price pert ton
Austria	£29.44
Spain	£27.28
Belgium	£24.83
France	£24.50
West Germany	£18.91
Greece	£19.00
Central London	£41.52

*Nov 1981 Source: BPCF

and the BPCF now urges swift action to turn the industry around.

The return on capital and profit margin figures are the lowest for the past 12 years, and are a result of continued low demand and higher raw materials particularly cement, prices.

Compared against a 1974 base index of 100, precast product prices now stand at 348, cement prices have risen to 472 and aggregates to 356.

The industry has thus been unable, or unwilling, to pass on price increases in its primary raw materials.

Britain also pays a much higher price for its cement than its European counterparts. A tonne of cement will cost a London builder £41.52, but the same quantity would cost only £18.91 in Germany.

The basic minimum rate of pay per hour for precast concrete workers outside London has increased steadily during the last decade. It currently stands at £1.60 per hour compared with £0.40 per hour in 1971.

PAUL HANNON

Designs for centre of Baghdad

BRITISH ARCHITECTS, Sheppard Robson have been appointed to carry out two major commissions in the centre of Baghdad.

Design work has started on a £36m project for a group of buildings in the centre of the city. These buildings will serve as a gateway to the redevelopment of Khulafa Street, the city's main thoroughfare.

This site is on the north side of Khulafa Street between Sabawi Square and Nufur Square facing the Museum of Modern Art. The proposed scheme responds to the present low scale of Sabawi Square, rises to a height of eight storeys and culminates in a 22 storey tower at Nufur Square.

Total floor area of 58,000 sq metres will provide shopping facilities, a cinema, cafes and restaurants at the lower levels, with residential and office accommodation above.

The project will go out to tender in early 1983 with construction expected to take 2½ years.

Sheppard Robson have also been appointed to prepare a Master Plan for the redevelopment of an underused site of 40 hectares (100 acres) at Naaish Khana, near the pilgrimage mosque of Kadhimain in the north west part of Baghdad.

Attracting in the region of a million visitors annually, the mosque is one of the most important religious shrines in the Islamic world. Through conversion with religious and party leaders the designers have developed proposals for the area which will include housing, schools, comprehensive sports facilities, public areas and auditoria, buildings for commerce and light industry and a major educational centre visually linked to the mosque by its scale and physically linked by a pedestrian mall.

Assisting Sheppard Robson will be Buro Happold (structural engineers), J. Roger Preston (service engineers) and Hanscombe Partnership (cost consultants) in association with the Baghdad office of TEST.

CONTRACTS

£17m shield for Babcock

BABCOCK POWER will be involved in the construction of the Torness AGR nuclear power station in Lothian, Scotland. The company has been awarded a £17m contract by DARCHEM Engineering, Darlington, for the erection of thermal shields which will be manufactured and supplied by DARCHEM.

Over 300 men—including a supervisory team from Babcock Power construction division will be involved with the work, which is scheduled to last five years.

DARCHEM Engineering is the contractor for the thermal shield responsible to the National Nuclear Corporation who are agents for the Central Electricity Generating Board and the South of Scotland Electricity Board for the new "nuclear islands" being constructed at Heysham, Lancs, and Torness, Lothian. Total value of the contract is over £90m for the thermal shield work.

DARCHEM will carry out all phases of the work on the Heysham contract with their personnel and will supply an engineering and management team at Torness.

TWO CONTRACTS have been awarded to the Manchester office of WIMPEY CONSTRUCTION UK which total £4.8m.

Under a £3.73m contract placed by Manchester Corporation Wimpey is to build 106 two-storey houses and 138 flats in two-storey blocks in Orme Street, Beswick, Manchester, a central city area that is being redeveloped. The dwellings will be of traditional brick construction. Work has begun and is due for completion in December 1983.

The North Western Regional Health Authority has placed a £1.13m contract with Wimpey to build a new laundry for Oldham and District General Hospital. Part of a major redevelopment of the whole hospital, the laundry will be a steel framed building with brick cavity walls and patent glazing with a metal decking and PVC roof. The building will be complete with laundry plant to clean 55,000 articles per week. Work has started for completion in May 1983.

Wimpey has been awarded a £1.68m contract by the receiver for the Metropolitan Police to build a police station at Homefield Rise, Orpington, Kent. The building will have five floors and a two-storey car park. The order calls for ancillary buildings and services. Work starts next month for completion in August 1983.

The company also has a £96,000 contract to convert the West Ward in Southampton General Hospital to a geriatric ward.

BALFOUR BEATTY CONSTRUCTION, Croydon, has been awarded a contract, valued at £1.6m, for the construction of two elevated access ramps in reinforced concrete for British Airports Authority's new Terminal 4 Building at Heathrow Airport. The terminal is being constructed under a management contract by Taylor Woodrow Construction. The contract is due for completion in 18 months.

A SIX-YEAR, £3m contract to drill and blast about 20m cubic metres of rock overburden at the National Coal Board open cast coal site at Headless Cross, Lanarkshire, has been awarded to BOSKALIS WESTMINSTER CONSTRUCTION by main contractor Murphy Brothers, Leicester.

To meet the demands imposed by the production cycle, and to ensure continuity of work regardless of most weather conditions, a large rotary drilling rig—which is more than twice as fast as conventional crawler rigs—has been purchased for this project. The American-made machine, known as Reedrill SK25, is now operating on site.

THE SCOTTISH Equitable Life Assurance Society has awarded a £3.7m contract to SIR ROBERT McALPINE PROJECT MANAGEMENT for extensive rebuilding work at St Andrew Square, Edinburgh.

Work has started on the 130-week programme and involves careful demolition to preserve the existing facade of the portion of the new building to be refurbished as well as rebuilding a wing facing north St Andrew Street and the construction of a new element with a landscaped roof garden at the rear of the existing properties.

Finishings will include armour-clad glass vestibules, hardwood facings and panelled doors and a large amount of ornamental plasterwork.

INTERNATIONAL CONTRACTS

£13m Fiji power project

KIER INTERNATIONAL, a member of the French Kier Group in partnership with Downer and Company of New Zealand, has been awarded a contract valued at £13.4m for the Monasavu power project in Fiji. The 33 month contract for the Fiji Electricity Authority comprises about 7 km of 1.8 to 2.75 metres diameter tunnels, a high pressure and vent shaft 150 metres deep and four concrete diversion weirs. Consultants are Sir Alexander Gibb and Partners (Australia).

£12m quay at Belawan

SECOND CONTRACT of Phase I of the Port of Belawan has been awarded to the DHARSAMRIN GROUP. Phase I of the development of this Indonesian port is divided into four contrast. Contract 2 comprises the construction of a quay 878 metres long and 25 metres wide. The deck, which is in-situ concrete slab and precast beams, is supported on some 1,100 tubular steel piles each about 45 metres long. The contract includes the placing of some 50,000 sq metres of rock slope protection. Valued at around £12m, the contract was awarded by the Port Administrator on behalf of the Indonesian Government. The foreign exchange component of the cost is being financed by Kreditanstalt für Wiederaufbau of West Germany. The consulting engineers are Sir William Halcrow and Partners [illegible].

Door gear for Algeria

[illegible] HENDERSON has won its first order for sliding door gear [illegible] Algeria. The customer is one of Algeria's largest state-owned organisations and this order is to be the first of three or four such orders every year with [illegible] annual value of £200,000.

هكذا من الأصل

TELEVISION

BBC 1

9.08 am For Schools, Colleges. 10.00 You and Me. 10.15-12.07 pm For Schools, Colleges. 12.30 News after Noon. 1.00 Pebble Mill at One. 1.45 Camberwick Green. 2.01 For Schools, Colleges. 3.00 Delia Smith's Cookery Course. 3.25 See Hear! 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Secret Squirrel. 4.25 Jackanory. 4.40 Playhouse. 5.05 John Craven's Newsround. 5.10 Blue Peter.

5.40 News.
6.00 Nationwide (London and South East only).
6.25 Nationwide.
6.55 Doctor Who starring Peter Davison.
7.20 The Rockford Files starring James Garner.
8.10 Panorama.
9.00 News.
9.25 Last of the Summer Wine starring Bill Owen, Peter Sallis and Brian Wilde.
9.55 Police: Nine months inside Thames Valley Constabulary ("A Suspicious Death").
10.40 Film '82 with Glyn Worsnip.
11.10 Big Jim and the Figaro Club starring Norman Rossington, Roland Curram and Priscilla Morgan.
11.38 News headlines.
11.40 Speak for Yourself: Apologising and Complaining.

Chris Dunkley: Tonight's Choice

If the sight of the cars being waved frantically into the maw of a Channel ferry at one end and straight out of the other end into the dock doesn't make you laugh, and you don't find it funny to see a police chief reprimanding one of his officers for repeatedly arresting the same man on charges of having fuzzy hair, wide lips, and smelling of curry, then you'll presumably be watching Not The Nine O'Clock News tonight for the sake of Pamela Stephenson's marvellous impersonations. Or just for the sake of Pamela Stephenson. The show returns to BBC-2 for six completely new programmes.

Horizon immediately afterwards asks "Whatever Happened to the Energy Crisis?" and promotes the idea that we could make do with much less energy.

To mark the centenary of the birth of James Joyce Radio 3 broadcasts Blooms Of Dublin, a three-hour "musical for radio with words and music" by Anthony Burgess.

BBC 2

10.00 am Managing the Micro.
10.35 Speak for Yourself.
11.00 Play School.
11.25 Play it Safe!
11.35 Write Away.
2.00 pm A Child's Place.
2.25 Maths Help.
2.40 Other People's Lives.
3.05 The Computer Programme.
3.30 Business Club.
†3.55 Star Movie: "The Silent Bell."
5.05 World Skiing Championships.
†5.40 Laurel and Hardy in "Going Bye Bye."
6.00 Maggie.
6.25 Mr Smith's Favourite Garden.
6.50 News Summary.
6.55 Riverside.
7.30 The Genuine Article.
7.55 Porridge.
8.25 Grace Kennedy.
9.00 Not The Nine O'clock News.
9.25 Horizon.
10.15 West Country Tales.
10.45 Newsnight.
11.30 Télé-Montage.

LONDON

9.30 am Schools programmes. 12.00 Cockleshell Bay. 12.10 pm Rainbow. 12.30 Do It Yourself. 1.00 News, plus FT Index. 1.20 Thames News with Robin Houston. 1.30 About Britain. 2.00 Money-Go-Round with Joan Shenton and Tony Bastable. 2.30 Monday Matinee: Richard Widmark and Mai Zetterling in "A Prize of Gold." 4.15 Dangermouse. 4.20 Graham's Ark. 4.45 The Book Tower. 5.15 Mr and Mrs.

5.45 News.
6.00 Thames News with Andrew Gardner and Rita Carter.
6.25 Help! with Viv Taylor Gee.
6.35 Crossroads.
7.00 Wish You Were Here
7.30 Coronation Street.
8.00 Let There Be Love, starring Paul Eddington, Nanette Newman and Henry McGee.
8.30 World in Action.
9.00 Hill Street Blues.
10.00 News.
10.30 "The Diamond Mercenaries," starring Telly Savalas.
12.25 am Close: "Sit Up and Listen with Quentin Crisp.

† Indicates programme in black and white

All IBA Regions as London except at the following times:

ANGLIA

1.20 pm Anglia News. 2.30 Monday Film Matinee: "The President's Mistress" (TV Movie). 5.15 University Challenge. 6.00 About Anglia. 6.30 Survival. 10.30 Anglia Reports. 11.00 The Palace Presents. 12.00 Superstar Profile. 12.30 am Reflection.

BORDER

1.20 pm Border News. †2.00 Film: "Nurse Edith Cavell," starring Anna Neagle. 3.45 Money-Go-Round. 5.15 Bygones. 6.00 Lookaround Monday. 6.15 The Sound of . . . Lorna Dallas. 6.30 Mr and Mrs. 10.30 Thriller. 11.40 Border News Summary.

CENTRAL

1.20 pm Central News. 2.00 The Monday Screen Matinee: "The Mind of Mr Soames." 3.45 Money-Go-Round. 6.00 Central News. 10.30 Parents and Teenagers. 11.00 Central News. 11.05 Left, Right and Centre. 11.45 Paris by Night. 12.15 am Something Different.

CHANNEL

1.20 pm Channel Lunchtime News, What's On, Where and Weather. 2.30 The Monday Matinee: "Sunstruck." 5.15 Emmerdale Farm. 6.00 Channel Report. 6.30 The Two of Us. 10.28 Channel Late News. 10.35 Ladies Man. 11.05 Golfing Greats (Johnny Miller). 11.30 Barney Miller. 11.55 News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 2.30 Monday Matinee: "The Amorous Prawn," starring Ian Carmichael, Joan Greenwood, Cecil Parker and Dennis Price. 6.00 North Tonight. 6.30 Country Focus. 10.30 Monday Movie: "The Seven-Ups." 12.25 am North Headlines.

GRANADA

1.20 pm Granada Reports. 2.30 Matinee: "The Best Pair of Legs in the Business." 5.15 The Adventures of Dick Turpin. 6.00 Mr Merlin. 6.30 Granada Reports. 9.00 Quincy. 10.30 Best Sellers: "From Here to Eternity."

HTV

1.20 pm HTV News. 2.30 Monday Matinee: "Catch Me a Spy." 5.15 Diff'rent Strokes. 6.00 HTV News. 10.28 HTV News. 10.30 Soap. 11.00 Gillan. 11.30 Parents and Teenagers.

HTV Cymru/Wales—As HTV West except: 12.00-12.10 pm Ffalabalam. 4.15-4.20 Mr Magoo. 4.45-5.15 Sér. 6.00 Y Dydd. 6.30-7.00 Report Wales. 8.30-9.00 Yr Wythnos. 11.00-11.30 World in Action.

SCOTTISH

1.20 pm Scottish News Headlines, Road Report. †2.00 Monday Matinee: "Rattle of the Simple Man." 3.45 Money-Go-Round. 5.15 Emmerdale Farm. 6.00 Scotland Today. 6.40 Crimedesk. 10.30 Late Call. 10.35 Golfing Greats (Byron Nelson). 11.05 Thriller.

TSW

1.20 pm TSW News Headlines. 2.30 "Sunstruck," starring Harry Secombe. 4.12 Gus Honeybun's Magic Birthdays. 5.15 Emmerdale Farm. 6.00 Today South West. 6.30 The Two of Us. 10.32 TSW Late News. 10.35 Ladies Man. 11.05 Golfing Greats (Johnny Miller). 11.30 Barney Miller. 11.55 Postscript. 12.00 South West Weather.

TVS

1.20 pm TVS News. 2.30 Monday Matinee: "The Card," starring Alec Guinness, Glynis Johns, Valerie Hobson and Petula Clark. 5.15 Radio. 5.30 Coast to Coast. 6.00 Coast to Coast (continued). 6.30 Gillan. 10.30 A Full Life: Sir Roland Penrose, writer, poet, sculptor and painter. 11.00 Thriller. 12.25 am Company.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News. †2.30 Monday Matinee: "Gangway," starring Jessica Matthews. 5.15 Happy Days. 6.00 North East News. 6.02 Mr and Mrs. 6.30 Northern Life. 10.30 North East News. 10.32 Briefing. 11.15 Lou Grant. 12.10 am Epilogue.

ULSTER

1.20 pm Lunchtime. 2.30 Monday Matinee: "Suez," starring Tyrone Power, Loretta Young and Annabella. 4.13 Ulster News. 5.15 Radio. 5.30 Good Evening Ulster. 6.00 Good Evening Ulster. 6.30 Mr and Mrs. 9.00 Quincy. 10.29 Ulster Weather. 10.30 Welcome Back Kotter. 11.00 Face Your Future. 11.25 Bedtime.

YORKSHIRE

1.20 pm Calendar News. 2.30 Monday Matinee: "Catch Me a Spy," starring Kirk Douglas and Trevor Howard. 6.00 Calendar (Emley Moor and Belmont editions). 6.30 It's a Vet's Life. 9.00 Quincy. 10.30 There's Life North of Watford. 11.00 Lou Grant.

RADIO

(S) Stereophonic broadcast
‡ Medium wave

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Paul Burnett. 3.30 Steve Wright. 5.00 Peter Powell. 7.00 Stayin' Alive with Andy Peebles. 8.00 David Jensen. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am News. 5.02 Cricket Desk. 5.03 Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.02 pm Cricket Desk. 12.03 Gloria Hunniford (S). 2.00 Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News; Sport. 6.00 John Dunn (S). 8.00 Folk On 2 (S). 9.00 Humphrey Lyttelton with the Best of Jazz (S). 9.55 Sports Desk. 10.00 Monday Movie Quiz with Ray Moore. 10.30 Star Sound with Nick Jackson. 11.00 Brian Matthew with Round Midnight. 1.00 am Truckers' Hour with Sheila Tracy (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composers: Tomaso Albinoni and Benedetto Marcello (S). 9.45 Lutyens and Gurney song recital (S). 10.30 Music for Organ (S). 11.15 Schumann piano trio recital (S). 11.45 BBC Welsh Symphony Orchestra (S). 1.00 pm News. 1.05 BBC Lunchtime Concert (S). 2.10 Matinee Musicale (S). 3.10 The Songs of Mussorgsky (S). 3.30 New Records (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Aspects of the Blues. 7.30 "Blooms of Dublin," a musical for radio with words and music by Anthony Burgess based on "Ulysses" by James Joyce (S). 10.30 Jazz in Britain featuring the Mike Westbrook Orchestra (S). 11.00 News. 11.05-11.15 Bohemian Nights (S).

Medium Wave with VHF except: 7.05-11.15 am Cricket: Sixth Test. India v England at Kanpur.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today. 8.35 The Week On 4. 8.45 John Ebdon with a selection from the BBC Sound Archives. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.02 Money Box. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Down Your Way. 11.50 Poetry Please! 12.00 News. 12.02 pm You and Yours. 12.27 Legal, Decent, Honest and Truthful (S). 12.55 Weather, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 4.35 Back in Ten Minutes. 4.45 Story Time. 5.00 PM: News magazine. 5.50 Shipping Forecast. 5.55 Weather, programme news. 6.00 The Six O'clock News. 6.30 Just a Minute (S). 7.00 News. 7.05 The Archers. 7.20 Start the Week with Richard Baker. 8.00 The Monday Play (S). 9.15 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

Canadian Indians' link to UK tested

THE WEEK IN THE COURTS

BY JUSTINIAN

EVERY ratepayer in Bromley knows how necessary or useful it can be, on occasion, to have a legal peg to prop a political grievance. Concern for human rights is a worthy political objective, protection of human rights a worthy legal function. Proceedings aimed at upholding human rights cannot legitimately be despised as an abuse of the processes of litigation.

Last week, in *The Queen v The Secretary of State for Foreign and Commonwealth Affairs ex parte the Indian Association of Alberta*, the Court of Appeal, in three separate judgments reflecting three separate viewpoints, decided unanimously that in their current litigation in London the Indians of Alberta, *Nova Scotia and New* Brunswick were using the *wrong legal peg to support* their political grievances.

The Indians were applying for declarations by way of proceedings for judicial review—proceedings which are becoming very much a growth industry—that the Foreign And Commonwealth Office had misstated the legal position concerning the rights of the Indian peoples of Canada and that the Government of the UK still owed them various treaty and other obligations.

The Indians relied strongly on the Royal Proclamation of 1763, which they ranked as their Bill of Rights. This proclamation declared that it was "just and reasonable, and essential to our interest, and the Security of our Colonies, that the several Nations or Tribes of Indians with whom We are connected, and who live under our Protection, should not be molested or disturbed in the Possession of such Parts of our Dominions and Territories as, not having been ceded to or purchased by Us, are reserved to them, or any of them, as their Hunting Grounds."

This proclamation has never *been explicitly repealed in* England or Canada, but has always been treated as having legislative effect.

Lord Denning, in a judgment reflecting a narrative historical viewpoint and as exciting as an episode of The Archers, came to the sanguine conclusion that "there is nothing, so far as I can see, to warrant any distrust by the Indians of the Government of Canada.

"*But, in case there should be*, the discussion in this case will strengthen their hand so as to enable them to withstand any onslaught. They will be able to say that their rights and freedoms have been guaranteed to them by the Crown, originally by the Crown in respect of the UK now by the Crown in respect of Canada, but in any case, by the Crown.

"No parliament should do *anything to lessen the worth of* these guarantees. They should be honoured by the Crown in respect of Canada 'so long as the sun rises and the river flows.' That promise must never be broken. There is no case whatever for any declaration."

Overwhelmed by such a sonorous peroration, who dares to be so bold as to remind himself of the old adage "fine words butter no parsnips"? And this is an adage likely to remain relevant so long as the sun rises and the river flows.

Lord Justice Kerr preferred a philosophical, topographical method as the basis of his judgment. For him the abstract and bare issue for the Court was as to situs of obligations ultimately owed by the Crown, whether in right or respect of the UK on the one hand or of the Dominion or Provinces of Canada on the other.

It was settled law that although Her Majesty was the personal sovereign of the peoples inhabiting many of the territories within the Commonwealth, all rights and obligations *of the Crown could only* arise in relation to a particular government of those territories.

The reason was that those rights and obligations could only be exercised and enforced, if at all, through some governmental emanation or representation of the Crown.

It *was clear that on the* ground of a representative legislature or from the setting up of courts, legislative council or other structures of government Her Majesty's Government in a colony and a dominion was to be regarded as distinct from Her Majesty's Government in the UK.

The liabilities of the Crown *in right of or under the laws of* one of the Crown's territories could be *satisfied only out of the* revenues and by the authority of the legislature of that territory.

The situs of obligations on the part of the Crown was to be found only in that territory within the realm of the Crown where such obligations could *be enforced* against a local administration.

There might and could be a devolution of rights and obligations of the Crown in respect of the government of Great Britain to another government within the Commonwealth without any express statutory or other transfer, but merely by virtue of the creation of the new government and of the assignment to it of responsibilities which related to the rights and obligations in question.

The effect of the British North America Act 1867 and its successors up to the Statute of Westminster 1931 was to create an all-embracing federal structure for Canada, which was wholly independent and autonomous in relation to all internal affairs.

All rights and obligations in relation to the Indian peoples of Canada had devolved from the Crown in right of the UK to the Crown in right of the Dominion or Provinces of Canada. *The declaration sought* by the Indians had no foundation *in law*.

Lord Justice Kerr seems to say in effect that by creating a responsible organisation in a particular area you automatically transfer to it all responsibilities previously exercised in that area by other organisations, even though you do not take the trouble to state that you are transferring all or any of those responsibilities. This *overlooks the concept—and the* fact—of overlap of responsibilities and of obligations.

Lord Justice May opted in his judgment for a political, constitutional viewpoint. He said that at the root of the Indians' application and the arguments in support of it there was a fundamental misunderstanding of the constitutional *position*.

Although at one time it was *correct to describe the Crown* as one and indivisible, with the development of the Commonwealth this was no longer so. As different territories in the Commonwealth attained self-government to a greater or less extent, so did any rights or obligations of what had been the *Imperial Crown devolve* upon the Crown in right of the *particular territory concerned*.

A natural consequence of *the progress* to self-government was that parliament in the UK would not interfere with or derogate from laws passed by the legislature in a self-governing territory on any subject which had been in truth left to their jurisdiction. To contemplate any other result would be to contemplate legislative and inter-governmental chaos.

As a result of the evolutionary and devolutionary process, any treaty or other obligation which the Crown had entered into with the Indian peoples of Canada in right of the UK had become the responsibility of the Government of Canada with *the attainment of independence*.

This makes a piquant contrast to the view of Lord Justice Kerr who thought that "independence or the degree of independence is wholly irrelevant to the issue, because it is clear that the rights and obligations of the Crown will arise exclusively *in right or respect of any gov*ernment outside the UK as soon as it can be seen that there is an established government of the Crown in the overseas territory in question."

The devolutionary - evolutionary process moves in a mysterious way its wonders to perform.

RACING

BY DOMINIC WIGAN

IT WAS to be hoped that *Saturday's Irish Sweep's Hurdle* would shed some light on Cheltenham at a time when the major Festival prizes—the Gold Cup, and the Champion and Triumph Hurdles—look more open than ever and any one of seven or eight hurdlers could emerge favourite for next week's Schweppes Trophy. This was not to be.

The race offered practically no guide to next month's *Champion Hurdle other* than that Daring Run will be hard-pressed to improve on his third place of a year ago.

Favourite for the Champion since November, Daring Run has done little to suggest that he is a worthy favourite

The Hunter Chase season, which invariably produces a high proportion of winning favourites and second favourites, gets under way this afternoon with the Leicestershire Maiden Hunters Chase. Here, Kaylad, *who boasted only moderate point-to-point form in* 1980 before being pulled up on *his only appearance in a hunter* chase last season, can hardly be recommended with confidence on those credentials.

However, I suspect that the Suffolk seven-year-old is the one that they will all have to beat as he sets out to confirm reports suggesting that he has made *above average* improvement.

At Plumpton, where London-based racegoers are unlikely to have earlier stampeded for the £680 return trip quoted for British Rail in Saturday's Sporting Life, Set Point could be up to lifting the day's other hunter chase—the Clapper Challenge Cup.

LEICESTER
1.30—The Thatcher
2.00—Gold Spun
2.30—Roller Coaster
3.00—Royal Friend
3.30—Kaylad***
4.00—On A Cloud

PLUMPTON
2.15—Charlie Muddle
2.45—Saldatore
3.45—Set Point**
4.15—Mons Beau*

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Why three men decided to jump out of the same boat

Ian Hamilton Fazey describes the birth of an electronic information system

TECHNALOGICS Computing could well become an archetypal example of what the regeneration of British *industry is supposed* to be about. Its three founders were frustrated by big company life, had some good ideas, and eventually managed to get themselves National Enterprise Board backing of more than £45,000.

The NEB, now merged with the National Research Development Corporation into the British Technology Group (BTG), has 40 per cent of the equity. *The heart of* the company, however, is the combined *talent* of its three young founders, Andrew Polkowski, Mike Siddles and Lawrence Cook who met while working for Plessey in Liverpool.

The electronics giant had not yet begun the production of its present System X electronic switch exchange for British Telecom and there was *about the plant* a demoralising lull that was periodically depressed by further redundancies.

Polkowski had become convinced that his future there was *going* to be limited anyway. He was a staff union representative who quite cheerfully vented his boredom by what senior managements call "making trouble." London-born, he had read physics at Liverpool University, liked Merseyside, and decided to stay there. The prospect of industry excited him—until he joined Plessey in 1972 at the age of 21.

In his own words: "It was like jumping straight into treacle. Nothing ever seemed to be happening. I used to spend my days trying to think of something to do on my own so I could get out and do it. Then Lawrence Cook joined Plessey."

Cook, also in his twenties, had already designed a printed circuit board and sold it. He and Polkowski got together and started on the do-it-yourself TV circuits market. When teletext started, Cook made himself an adaptor for his set at home, and that was where Siddles came in.

Siddles was finding life at Plessey "*frustrating*, grim and lacking in real direction." He heard about Cook's teletext *adaptor*, wanted one *himself for the same purpose* but could not be bothered to wire it all up. So he designed a printed circuit board to do the job. This transformed Cook's invention from a Heath-Robinson device to a unit that could be produced simply.

They marketed their teletext adaptors through the D-I-Y electronics press for £200 each at a time when early, factory-built teletext TV sets were costing £3,000.

Thus they bought a minicomputer and Siddles worked out how to hook it into Cook's teletext adaptor. Now they *had* an expandable, microprocessor-based electronic information system on their hands. The obvious thing to do was to apply it to British Telecom's newly announced Prestel electronic information system and develop it into an editing terminal.

By 1979 they had their prototype ready. Meanwhile, Plessey had secured its System X contracts and life *at work looked* as though *it* might actually become exciting for a change. The problem, however, was that their cottage industry was becom*ing more than they could cope* with in their spare time. One by one, two years ago, they left Plessey and started looking for financial backing.

They worked in garden sheds and bedrooms; Cook's semi in Prescot, a pleasant Merseyside suburb, became the centre of activity. They even sold their prototype—to a Dutch publishing company that had been told by Philips it would take two years to develop something similar.

They used their houses as collateral for a £30,000 overdraft from NatWest and came close to losing them. They *needed more cash so they* went to the small business advisory service at Merseyside Chamber of Commerce. That led to talks with ICFC, the NRDC and the NEB (now BTG), as well as an offer of private investment conditional on relocation to the Thames Valley.

However, they wanted to stay in Liverpool and finally secured NEB backing in January *1980*. Each of the three accepted a salary of *£7,500* plus a percentage of future sales to clear up their £30,000 overdraft. The company was capitalised *at £10,000* with the three founders taking 40 per cent between them to match the BTG's share. To ensure availability of experienced management, an 11 per cent stake has been taken up by Sapling, an advisory service for small firms set up by the BTG and Manchester's Collinson-Grant Management Consul*tants*. The remaining 9 per cent has yet to be taken up.

Under the deal the BTG has also bought £45,000-worth of preference shares and NatWest has allowed another £25,000 of overdraft, with an extra *£50,000 of overdraft* guaranteed by the BTG. With UK and overseas demand now increasing and expansion assured, the BTG is looking now at even more funding.

So far, since all but final assembly work has been put out to sub-contractors, Technalogics has generated only 10 direct jobs. This, however, will change as soon as the company gradually switches to employing *its own out*workers and then to full-scale, in-house production in a bigger factory than its present unit *in Liverpool's famous* Scotland Road. Eventually, something like 50 jobs are likely to be created.

L to r: Michael Siddles, Laurence Cook and Andrew Polkowski: used their houses as *collateral*

The message goes round and round

SPECTATORS at major British golf tournaments last year were able to keep up with the state of the play better than ever, thanks to some astute marketing management by Technalogics.

By looking at one of the television sets placed about the course by Extel, the news and sports wire service, they were able to read the positions of competitors on the leader board, find out who was tee-ing off when or who was playing where, and take in any other significant information about the tournament.

Extel provided other sporting information too, and, to pay for the service, there were advertisements, some in characteristically familiar viewdata *format* and some in more conventional form, played back from video tapes.

What in fact the spectators were able to look at was the self-contained viewdata system developed by Technalogics. Transmission was by cable to each television set with Extel controlling the system at the course through a small, microprocessor-based computer.

The frames carrying the information were recycled continuously, like an endless reel, giving the system its name, the Carousel. An editing terminal at the central control point *enabled them to be updated* when needed.

The development was kept secret while Extel established its corner of the market at sporting events. It came to wider notice when IPC used it to keep delegates informed of events at the CBI conference in November.

Soon, television screens will start appearing in many parts of Britain — in shopping centres, in exhibition halls, at sporting events and in big department stores. The companies that have bought Carousels, which they will use to fill the screens with appropriate information, include newspaper groups such as East Midlands Allied Press, Thomson Regional Newspapers, and Westminster Press. Another buyer, the Press TV Company of Redditch, is going to use it to put up shoppers' information and advertisements on a giant Toshiba screen in the town's shopping precinct.

The major benefit being offered by Technalogics to buyers of the system is immediate profit potential. Provided the buyer can sell advertising on his TV screens, revenue will flow.

The astute piece of marketing management has been to spot the potential for something like the Carousel and then shift the company's stance slightly to be able to exploit it. The men behind Technalogics have in fact developed the Carousel by designing a special adaptor for the product through which they originally hoped to become rich.

This was, and remains, an off*line editing terminal for Prestel*. Demand for it can be judged from the fact that they have found no difficulty in selling 51 at £7,000 each in only 18 months.

The problem, however, is the failure of Prestel to grow. As Dave Phillips, Technalogics sales manager, says: "At best the Prestel market is stagnant; at worst it is declining."

However, one thing became blindingly apparent in the first year of operation: Prestel may be doomed to slow growth but private viewdata systems are *going to face no such problems*. They already operate in some large companies. What was needed was a cheap means of letting a private operator do his *own thing*.

Technalogics realised that adapting the editing terminals it had already developed for Prestel users would do exactly that. Those terminals enable Prestel's information providers to edit their input to the central Prestel computer off-line.

What the Technalogics terminal allows, therefore, is for the editing to be done by the information provider at source. Information is stored on a floppy disc, amended at will and, when required, is despatched quickly and without pause to the Prestel data base via the telephone lines. But on that floppy disk also is an information base for its owner's private system.

Long-term, the terminal is *probably going to secure* Technalogics' future, especially since it will soon be adapted for overseas markets, using Teledon, the rival system to Prestel developed by the Canadians. But what has been needed is a *means of generating cash for* short-term growth. The Carousel, which is basically a viewdata editing terminal with a special adaptor to allow about 20 frames of information to be flashed onto ordinary television screens in continuous sequence, looks like providing it.

Each has been selling for about £9,000. A more expensive addition to the system is under development which will enable a shopper or spectator to press some buttons and quiz the data base.

In March last year, at the end of the first 12 months of operation, the company turned over about £140,000. The second year's turnover looks like exceeding £600,000 and the company is now predicting a turnover rate of £1m a year by the end of 1982.

Management abstracts

One way of tackling absenteeism. R. E. Kopeleman and others in Personnel Administrator (U.S.), May 81: p 57 (5 pages, tables).

Presents a neo-Parkinsonian law of sick-leave abuse, identifies costs associated with such abuse (especially casual absence), and provides an example of an absence control scheme that doesn't aim at an unblemished attendance record but gives employees the opportunity to "plan" casual absence with management approval. Looks at the scheme's advantages, and how employees view it.

Management of idle cash. C. H. Gibson and G. Court in American Journal of Small Business (U.S.), Winter 81: p 11 (11½ pages, charts, tables)

Describes how "idle cash"—money held in bank accounts above operating requirements—*can be identified* and invested: stresses the importance of speeding up deposit procedures and delaying disbursements (but warns against delaying payday); outlines investment alternatives.

Autonomous work teams boost clerical efficiency. R. Collis in International Management (UK), Jun 81: p. 38 (2 pages)

Describes an experiment in the head office of the Societe Lyonnaise de Banque, Lyons, where *the hierarchy of* supervisors, clerks and typists has been replaced by teams; members share tasks and take collective responsibility. Outlines the preliminaries to the re-organisation, and training arrangements; claims higher productivity, increased job satisfaction, and fewer customer complaints. It is said that salary differentials will receive attention when restructuring is com*plete*.

Assessing risks in marketing *strategy*. K. Shah + P. J. LaPlaca in Industrial Marketing Management (U.S.), Apr 81: p. 77 (15 pages, charts, *tables*)

Discusses types of risk which need to be assessed when developing a marketing strategy within the context of an overall business plan; suggests rules-of-thumb, and gives examples of how named companies approach risk assessment, noting successes and failures.

Strategic growth through merger and acquisition. J. E. Temple + *others in* Financial Executive (U.S.), May 81: p. 23 (4 pages tables)

Outlines how a company can draw up a profile of itself in order to decide what type of merger/acquisition partner it ought to seek; gives advice on how to identify and screen candidates.

Graphics in employee/annual reports. J. Lott + C. Forbes in Design (UK), Jun 81: p. 40 (6 pages, illus.)

Discusses the objectives of, and illustrates pages from, the employee reports of named companies; examines the way layouts/graphics help or hinder the presentation of information. Takes a look at trends in U.S. in annual reports for investors, and presents sample pages.

Health promotion in the work place. M. P. Naditch in Education + Training (UK), May 81: p. 156 (2 pages)

Describes a health programme for all employees of Control Data Corporation (U.S.) and their spouses; outlines programme elements, from initial medical examination, through "workshops" (on, eg, obesity and smoking) to "social support" activities (eg cooking); notes how the company relates the results to absenteeism/*productivity*.

Strategies of effective low-share businesses. C. Y. Y. Woo + A. C. Cooper in Strategic Management Journal (UK), Jul/Sep 81.

After noting that research has emphasised the importance of market-share, reports from analysis of one lot of research data that low-market-share businesses can be effective if they operate in stable markets (with slow growth and infrequent product changes) and concentrate on their specific strengths.

These abstracts are condensed from the abstracting journals *published by Anbar Management* Publications. Licensed copies of the original articles may be obtained at £2.50 each (including VAT and p & p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

THE ARTS

Greenwich

Season's Greetings

by MICHAEL COVENEY

Leonard Burt

Barbara Ferris

Alan Ayckbourn brought his Scarborough company to the Round House in this play in October 1980. There were longueurs and an invisible wife who sat in front of the TV for two acts before disappearing. This splendid revival by the author has rectified all that and confirmed two of my most overtly held sneaking suspicions: that Ayckbourn prospers in the proscenium arch—or end-stage—(despite his work originating "in the round") and that the better the actors the better the show.

The scene is a Christmas family gathering in the Philistine suburbia that has become the dismissively distilled natural Habitat of Mike Leigh but where, as an observer of hole-in-the-corner desperation, Ayckbourn reigns supreme. His work is the stuff of Greek tragedy as seen from the nooks and crannies of purpose-built family units. A few years ago, eminent critics such as Ronald Bryden and Frank Marcus were praising Ayckbourn as both a lower-middle class Coward and poet of the everydays; the other night I saw Michael Billington on television invoking Ibsen.

What tommy-rot, I muttered, as the lights faded. Scrawled half way down my notes on Act 2, I decipher the legend "Chekhov." This is a comment on the scene where a lonely spinster, preparing to transport a ludicrous writer from the private fray sees her silent night yawn menacingly before her. Varya and Lophakin were never more moving.

Enough of culture, back to the plot. Actually, the play falls apart after the interval despite the blissfully funny puppet show rehearsal and the writer (a character feebly conceived in other people's fatuous preconceptions of such a figure) running the gauntlet, disguised as Father Christmas, of the trio of women who have tried to remove his pants. The last of these assaults results in one of Ayckbourn's funniest curtains: furtive sex sets off a gift-wrapped drumming teddy bear and arouses the house guests from respectable slumber. Barbara Ferris and Nigel Havers play the scene magnificently.

The self-effacing star of the show, however, is Bernard Hepton as the doctor with aspirations as a puppeteer. When Peter Vaughan's self-styled lounge fascist shoots a looter, Mr Hepton is on hand to pronounce the villain dead only for the writer to groan comfortingly *from the floor. Another small* failure of diagnosis completes the agony. This is a top class evening, even if the play does not quite measure up to the best of the author in *Absurd Person Singular* (another Christmas débacle) and *Bedroom Farce*.

Orange Tree, Richmond

King Lear by ROSALIND CARNE

Lear stripped bare is no bad thing; it is, after all, what the play is about. Sam Walter's low-budget production uses a small, square, acting-space, shunning set, traditional costumes or props, concentrating rather on tough and heart-felt interpretation. Off-stage performers are visible throughout in their sweaters and slacks, viewing the action from the sidelines. I found it a moving and even frightening experience, despite two major grouches — Paul Shelley's clipped rendering of the principal role, and the hectic pace.

Much of the poetry is hard to folow, and possibly incomprehensible for those who do not know the play. The King throws out his words as if speech were something which he would happily forego. There is no need for declamation, but whoever takes on Lear must balance a concern for personality with a concern for what the man is trying to say. Mr Shelley is fine as the self-deluding father, but when the crutch of flattery is withdrawn he is a victim of the part's most common pitfall. What is left? The realisation stumbles as it must do if the hero is treated as a brittle neurotic.

What does emerge at the Orange Tree is the excitement inherent in the other characters. Peter Guinness is a mercurial Edgar/Tom on the brink of supernatural frenzy. He hurls himself about the stage with startling abandon and is largely responsible for the success of the bleak, balletic storm scenes. His delivery is excellent. Geoffrey Beevers makes a touching Gloucester, deep into the nature of a man who really does begin to see when his eyes have been plucked out. The moment of torture with the accompanying scream is blood-curdling, though not a drop of blood is visible.

It makes an intriging change to be offered so strong a contingent of goodies. Frank Moorey is a sturdy, convincing Kent and Madeline Church creates an unusually powerful spiky Cordelia. She also doubles as the Fool, skinny, mobile, boyish, accentuating the quasi-parental relationship with the King, though missing the sharp-edge of pathos.

Wigmore Hall

Jean-Philippe Collard

The young French pianist, *already reasonably familiar* here from recordings if less so from live appearances, gave a recital on Saturday that left no possible room for doubt about the thoroughness and immaculate finish of his technique. The concert formed part of the Wigmore's Russian series, and so its second half was devoted to Chaikovsky and Rakhmaninov; but in the first part Mr Collard played French music — Fauré and Debussy — and in their works the cool, serene beauty of his tone, each melodic line limpidly sustained, each inner strand accurately placed at all dynamics and tempos, carried a magical fascination of its own. This hall can sometimes seem a cramping place for less prodigious pianists to go through their paces; to Mr Collard's superfine touch the place rewarded both intimacy and, where needed, elbow room.

Yet, for much of the concert, I felt an imbalance between the elegance of schooling and the incompleteness, even at times the immaturity, of artistic imagination. Fauré's Theme and Variations, Op 73, was a prime case in point — even without knowing Marguerite Long's description of the composer's stringent demands for simplicity from his interpreters, the listener might have been *made uncomfortable by the* very obviously "plastic" shaping of the theme, with lingerings at the end of each sentence, or the less than strict adherence to Faurés tempo prescriptions for the inner variations. Beneath Mr Collard's fastidious touch there was disclosed a vein of mere prettiness, both here and in the D flat Nocturne, Op 63, that amounted to a want of perception. Debussy's *Suite bergamasque* and *L'Isle joyeuse*, finely tooled, never really came to life — a properly keen, intense vision behind the pictorial reverie was not communicated.

Strangely, although the distinctively Gallic properties of his tonal weighting and colouring might have decreed otherwise, the performance of the Russian composers seemed much more committed. Chaikovsky's *Dumka* was propulsive as well as precisely fingered; and the luxuriant expanse of Rakhmaninov's Corelli Variations awoke a glowing, well-paced response, though even here the trace of "good manners" tended to interpose ever so slightly between music and audience. When Mr Collard learns to rely less on the importance of an immaculately groomed interpretative facade, what a pianist he will be!

MAX LOPPERT

Two Schoolgirls (1934-35) by James Cowie

Fine Art Society

James Cowie

by WILLIAM PACKER

There will always be artists, and good artists at that, who work out their lives in comparative obscurity, acknowledged only by a close and discriminating circle, if they are acknowledged at all. Just how many there are is naturally a little hard to guess; but from time to time one will be brought out again into the light. Every such reappearance is a reassurance that so many others must be there too.

At the moment, indeed, we seem to be making rather more of an effort than usual at this critical retrieval, what with Algernon Newton and now Meredith Frampton at home. John Sloan and Reginald Marsh in America, and of course all those European Realists between the wars. We had thought so many of them to be out of touch with modernism, aberrant —they had often thought as much themselves: we may all have been wrong.

In Scotland there was James Cowie, who during his time at Glasgow School of Art had steeped himself in Italian painting of the Quattrocento, in the work if Piero della Francesca in particular, had been the art master at Bellshill Academy since 1918, and who, having apparently produced little of any distinction hitherto, began in the early 1930s to paint a series of substantial figure compositions, using for the most part his schoolgirl pupils as models.

These few major works and the work around them, the drawings and studies from life, constitute the core of his achievement, in a total ouvre that was in any case, to remain pretty small. Most of them, and indeed all those paintings, are now shared among a handful of lucky public collections, almost all of them Scottish; which helps to explain, if not exactly excuse Cowie's virtually non-existent reputation in the southern kingdom.

The Walker Art Gallery in Liverpool owns one of the most haunting of the Bellshill compositions, and that is about it. The Tate has nothing at all, and much regrets it.

But for a year past the Scottish Arts Council has been touring a choice exhibition of James Cowie: The Artist at Work, which brings together much of the Bellshill material, and the later work besides. It has come to London at last, to the Fine Art Society (until February 19), to open our eyes.

Just how important to Cowie were the primary disciplines of drawing and composition, organisation and redisposition is made very clear. He drew beautifully in the classical mode, for information and decision rather than effect, for study rather than expression. But of course these things are infinitely expressive, for discipline and restraint can never lock out the personal touch.

These fragments of preoccupation, bits of pictures, a hand, a head, half a school-girl in her gym-slip intent upon the empty silhouette of her reading friend, lead us severally to the paintings they serve. There they stand almost severe in their realism, closely ordered, the figure frozen into timeless attitude, for all the circumstantial detail of style and dress.

But there is rather more to these paintings than mere pious genuflection to the masters and pastiche; which brings us back to our earlier point. Cowie was no throw-back, but of his own time, and in the 1930s particularly, rather more so than we had supposed. His exact and meticulous vision carries yet, and perhaps at first in spite of himself, something more ambiguous and suggestive, a positive metaphysical charge that is not all that far removed from conscious, and of course contemporary, Surrealism.

His schoolgirls, so still and quiet, are presented to us with an almost fevered clarity, and a pall of imaginative speculation hangs heavily over them: *what do they see; what do they hear; what fixes them so?* "Heavily hangs the holly-hock, Heavily hangs the tiger lily . . ." All great art, of whatever kind, *treats upon the essential transience* of experience after all, and a poignant melancholy must be its first quality.

Cowie left Bellshill in 1935 to teach in art schools, and his own work too took rather a different course. It *was never* less than beautifully made and creatively sophisticated, but it does seem a certain secret flame went out. It may be that he *allowed the metaphysical to become* too conscious and thus too contrived an element, or perhaps he simply lost confidence in himself; whatever it was, he *never again took on anything so* ambitious in scope, and so natural to his own abilities, as the Bellshill paintings.

Festival Hall

Monteverdi Choir

One of Mozart's great masses is usually enough for a choir to tackle in a single concert. But on Friday John Eliot Gardiner and the Monteverdi Choir and Orchestra paired the C minor mass K.427 with the Requiem K.626, traversing the twin peaks of Mozart's church music in a single effort. The pairing is not at all inapt: both works present the musicologist with absorbing problems of authenticity and completeness and in performance the torsos provide a fascinating contrast of manner—decorative and extrovert in the C minor mass, unadorned and direct in the Requiem.

Mr Eliot Gardiner's achievements with his choir invariably have a clarity of focus and a firm grip on the basic matters of rhythm and phrasing that takes the performances a long way towards success. His account of the Mass on this occasion was hard to fault: the strings of the Monteverdi Orchestra manage to retain the responsiveness of a small band without losing anything of their refinement; attacks were crisp, intonation—occasional problems with the chamber organ apart—unexceptionable. Perhaps in some of the choruses vigour took the place of exuberance, but the performance was graced above all by its soprano soloists —for Mozart here replaces the traditional contralto with a second soprano in his solo *quartet.* Isobel Buchanan had the larger, creamier voice, marginally less agile though, it seemed, than Diana Montague; Miss Buchanan's momentary lapses of control *(suspicions* more than fact) in "Et in incarnatus" were more than balanced by her heavenly liaison with the woodwind at the close of the same movement.

Two such stylish sopranos could not be wasted, and the solo passages in the Requiem were shared between them: Miss Buchanan employed for the *Recordare* and *Benedicite*, Miss Montague for *Domine Jesu* and the final *Agnus Dei*. The careful matching of voice to utterance was typical of Mr Eliot Gardiner's concern to keep textures uncluttered and the music idiomatic throughout the work. Brisk tempi, forthright rather than overpowering brass and a choir that maintained its alertness right to the end of a long and demanding evening provided a unassertive and determinedly unsacharrine view of the work. The remaining soloists, *all extremely accomplished*, were Linda Finnie, Laurence Dale and Stafford Dean.

ANDREW CLEMENTS

Covent Garden

My Brother, My Sisters

The scenario of My Brother, My Sisters is exact in its shape, in the chief incidents that mark its macabre games, but nowhere does Kenneth MacMillan *force meaning upon us. We are* caught and held by nuances and inflection, by intercepted glances and sudden curdlings of horror as the children play. *What we feel or understand at* each performance of this exceptional ballet lies very much with the interpreters.

On Friday, with Ashley Page *and Briony Brind newcomers* to the roles of the brother and the first sister, shifts in the balance of power, in a ballet which treats of power and domina*tion, were fascinating.* Mr Page danced his choreography with all the supple stretch of line and ease of movement we have come to expect from him, and *his interpretation was all the* more intriguing in the lightness — almost charm — with which he showed the boy as ring-master to the games: his *control of the action* seemed understated, but insidious.

Miss Brind was no less happy in her interpretation. A tremen*dous unfurling of very high ex*tensions was matched by the brooding intensity of her feelings, and in the pursuit of Lesley Collier's second sister, *she displayed a pas de bourrée* so exquisitely feathery it seemed merely to whisper the terror she ispired in her victim.

The ballet continues to receive *superlative* performances from its cast, who are faced with choreography of sudden, fierce complexity, not least in the variations given to *four of the sisters in the second* half of the piece, which are as demanding, and as expressive of character, as the prologue fairies' solos in *Sleeping Beauty*.

The evening had begun with *Les Patineurs*, looking rather brighter and more relaxed than at its revival earlier this season. The feats of bravura associated with the *two blue girls* seemed somehow trapped inside their costumes, but David Peden made an attractive figure of the Blue Skater, setting out his *dances with neat, clean skill*, and a welcome absence of any bumptiousness.

CLEMENT CRISP

Riverside Studios

Trojans by B. A. YOUNG

The year is 1987. Four black revolutionaries and a black chanteuse occupy a great emplacement that houses the Button for firing the Bomb—a procedure they have just declined to carry out. Troops surround them, but can do nothing, for Paris, the ring-leader, will shower nuclear disaster on the world if he is checked.

What he intends is to overthrow all governments and institute what he calls mass government. The trouble, dramatically as well as politically, is that he has no more idea than has the author, Far*rukh Dhondhy*, how to go about setting up such a government, or how or with whom he can make contact with the outside forces. He has communications through a massive radio-telephone, but there is no real dialogue with anyone in authority. So most of the evening is spent in very naive argument over problems that barely exist.

At each end is a short scene taking place in the year 1772, the year when Lord Mansfield, the contemporary Denning, laid down that slaves imported into Britain from the Caribbean automatically become free citizens. One such slave is Cassie, who has prophetic knowledge of the hand-held microphone. She is so completely freed that she leaps forward 215 years to join the others in the emplacement and sing to them. As she is Pauline Black, once lead singer of a group called The Selecters, and is backed by a very good quartet, she provides almost the only pleasure I got from the play, though two inserted scenes of current life, not very relevant, gave Archie Pool a chance to show how wistfully comic he could be.

Paris is played by Ben Onwukwe with appropriate fire, and the other two freedom fighters are Valerie Buchanan and Judith Jacob. Trevor Laird is the director, and the designer is Paddy Kamara. The whole lot of them are blown up in an atomic explosion at the end.

FINANCIAL TIMES

PUBLISHED IN LONDON & FRANKFURT

For Share Index and Business News Summary, Telephone 246 8026 (number, preceded by the appropriate area code valid for London, Birmingham, Liverpool and Manchester)

Head Office: The Financial Times Limited, Bracken House, 10 Cannon Street, London EC4P 4BY. Telex: 8954871. Telegrams: Finantimo, London. Telephone: 01-248 8000. Frankfurt Office: The Financial Times (Europe) Ltd.

INTERNATIONAL & BRITISH EDITORIAL & ADVERTISEMENT OFFICES

Amsterdam: P.O. Box 1296, Amsterdam-C. Telex: 16527. Tel: 276 796.

Birmingham: Editorial and Advertising George Hse., George Rd., B15 1PG. Telex: 338650. Tel: 021-454 0922.

Bonn: Pressehaus 11/104 Heussallee 2-10. Telex: 8869542. Tel: 210039.

Brussels: 39 Rue Ducale. Telex: 23283. Fax: 512 1404. Tel: 512 9037.

Edinburgh: Editorial and Advertising 37 George Street, EH2 2HN. Telex: 72484. Editorial Tel: 031-226 4120. Advertising Tel: 031-226 4139.

Frankfurt: Editorial Frankenallee 71-81. Telex: 416052. Tel: 7598 157. Advertising Guiollettstr. 54. Telex: 416193. Tel: 7598-0.

Hong Kong: Room 302, Hang Chong Building, 5 Queens Road Central. Telex: 75204 HX. Tel: 5-235166.

Johannesburg: P.O. Box 2128. Telex: 8-6257. Tel: 838-7545.

Leeds: Advertising Permanent House, The Headrow. Tel: 0532 454969.

Lisbon: Praca de Alegria 58-1D, Lisbon 2. Telex: 12533. Tel: 362 508.

Paris: Editorial and Advertising Centre d'Affaires Le Louvre, 168 Rue de Rivoli, 75044, Paris Cedex 01. Telex: 220044. Tel: 297 2000.

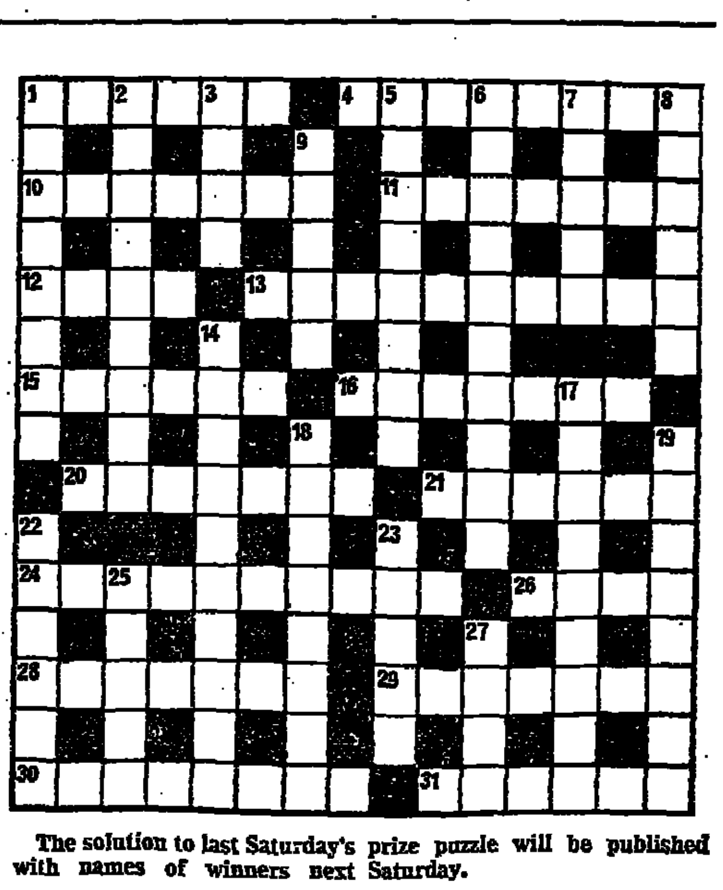
F.T. CROSSWORD PUZZLE No. 4,786

ACROSS

1 Stars fail exam (6)
4 Saw snappy share (5-3)
10 Born expert not affected (7)
11 Timber catching Bond live before morning (3-4)
12 Article written by Pole after that (4)
13 Europeans squander cheese (6, 4)
15 Single politician to expose damage (6)
16 Ticks inferior goods (7)
20 Way a student conducted made engine stop (7)
21 Time and trouble taken with programme (6)
24 Unfit to be unemployed (3, 2, 5)
26 Not certain to lose head in fever (4)
28 Battered dish taking a toss (7)
29 Authority to carry on conflict with scold (7)
30 Scotsman fit to be tragedian (8)
31 Part of habit of record-holder (6)

DOWN

1 Hair style at the Nag's Head? Quite the reverse (4, 4)
2 Where it happened then and there (2, 3, 4)
3 Film actress loses ring in dress (4)
5 Story-teller keeping the shop (8)
6 Transparent not to be deceived (3, 7)
7 Chromium fish basket (5)
8 Moderate agency girl presented to the Queen (6)
9 Jump right over net (5)
14 List of coming attractions of consuming interest (4, 2, 4)
17 Run down to study with single fireplace (9)
18 Bookish source to study (4-4)
19 Inventor given plain direction twice (8)
22 Gun dogs (6)
23 Pull a face at southern brotherhood (5)
25 Note obtained drink (5)
27 Ought artist on left to have spoken? (4)



The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Monday February 1 1982

Fair claim to EEC reform

HOPES, IDEALS and good intentions have once again been boiled out of the European debate to leave the familiar and bitter residue—another argument over money. It is a sad repeat of the early months of 1980, with the UK driven to use its veto over agricultural price rises to cudgel promises of compensation out of a Community to which it feels it pays too much. The supposedly related issues—reform of the Common Agricultural Policy and the development of other Community policies—are evaporating out of the Commission's grasp.

Agreement

With the best European will, it is hard to argue that the UK has no case when it demands another four or five years of compensation for a net contribution to the EEC which will run at between ECU 1.5bn and ECU 2.2bn (£840m-£1.23bn) in 1982. It was consistently argued during Britain's entry negotiations in the early 1970s that the material benefits of Community membership would spread beyond the farming sector and into areas of greater relevance to the UK. It was explicitly stated at that time that the Community would redress any "unacceptable situation" that might arise in the matter of net contributions.

The agreement of the Community in May 1980 to provide the UK with three years of compensation was an effective admission that the second of these had occurred where the first had not. The unacceptable situation has since persisted because the reforms and new initiatives which were to have corrected it have not materialised. Until they do, the case for compensation stands and the rest of the Community's desire to cut back on that compensation by some arbitrary process of "degressivity" remains as illogical as it is understandable.

Spending

There is in theory both a spendthrift and a tight-fisted way of solving the underlying cause of the British complaint. The freer-spending solution would be to boost the non-agricultural element in the EEC's spending, laying out substantially more for regional and social problems, funding research and development, investing heavily in transport schemes and even finding ways of spending money on industrial projects.

Mounting unemployment may change things, but for the moment just about everything militates against this up-beat way of redressing the balance. In 1980 some 70 per cent of Community spending went on agriculture, against 3.5 per cent on regional policies and 4.3 per cent on social, so the shift in emphasis would have to be prodigious to touch Britain's problem.

This would, in turn, mean breaching the limit of a 1 per cent value-added tax with which, on top of customs levies, the EEC finances itself. This would be necessary at a time when the majority of EEC governments have budgetary crises and when the UK has been driven to the fatalistic conclusion that it is only the VAT limit which will force the Common Agricultural Policy to curb its appetite for funds.

True, the current rate of Community spending is drawing down VAT at a rate of only about 0.8 per cent. There is thus some ephemeral headroom which might be exploited for spending which would marginally reduce Britain's net contribution. The British do tend to call for their money back and to demand agricultural reform rather than come up with specific proposals for such non-agricultural spending. It is indeed a complicating factor that the British Conservative Government advocates an EEC spirit but mistrusts EEC spending and would rather insist upon European principles—free trade in services, for instance—than upon European programmes.

A rather more positive attitude towards programmes might marginally improve the UK's image in Europe; Britain is, for example, uniquely well placed to propose a European energy policy. But no-one should be under any illusions that such demonstrations of goodwill will greatly influence the hard-nosed wrangling over money which lies ahead.

It is in the tight-fisted manner that the circle will have to be squared. This means a struggle to contain CAP spending through measures which, though extremely unpalatable in France, Belgium and Holland, will initially make only a minimal dent in Britain's net contribution; and a parallel campaign to extend the UK's compensation.

Experience

The important thing is that the emphasis of Britain's pressure should be applied to CAP reform rather than to compensation. All the signs suggest that the Commission's good intentions for, and even progress towards, CAP reform are now melting away—the watering down of the measures aimed at removing structural milk surpluses is just one example. "Money back" may be a quicker and easier option for Britain, but, as the experience of the last two years has shown, it will not cause the waste of resources in agriculture, or Britain's underlying disadvantage, to go away.

The right time for Ulster

MR JAMES PRIOR, the Secretary of State for Northern Ireland, is right: the time for a new political initiative on Ulster is imminent.

There are several reasons why. For a start, direct rule, which has served more or less to contain the level of violence over the past few years, is ultimately politically sterile. It does no more than that. It subdues the violence, but it offers nothing to look forward to in what is a very political province.

Prejudice

Hopes that within a generation or so the communities in Ulster may come peacefully together of their own accord are only hopes. In any case, it would be a long time in which to wait and see; the communities might equally move even further apart. The fact is that there is a degree of religious prejudice in Northern Ireland which is unique in western democracies. The British Government has the responsibility to do something about it. That means giving a political lead.

Mr Prior is the right man to do it. He may have gone to Stormont reluctantly, but he is a much bigger figure—and has a much better team—than any previous Secretary of State there since Mr William Whitelaw in the early 1970s.

Principles

The timing is also right from the point of view of the British Government. In all normal circumstances, Mrs Thatcher's administration has about two years to run. The time to do anything difficult—and Northern Ireland is very difficult—is now, before more mundane considerations of whether the Conservatives will win the next general election take over.

We can discuss the details when Mr Prior makes known his proposals in the next few weeks. But the details are not all that important. What matter most are the principles.

Three stand out. The first is that the Government must be seen to be doing something to give the people of Northern Ireland more of a direct say in the running of their own political affairs. An elected assembly, with powers to co-opt outside members, could certainly do that.

The second is that there must be some built-in constitutional guarantees to protect the minority community. It should not be beyond the wit of man to devise appropriate safeguards, whether through committee systems, proportional representation or any such mixture.

Overriding

The third and in many ways overriding principle is that the British Government must mean business. It cannot be another case of a political initiative failing to get beyond the drawing board because of the opposition of some Northern Irish politicians. To avoid that will require the full and sustained support of the Prime Minister. It will also mean standing up to such political figures as the Rev Ian Paisley and Mr Enoch Powell.

Surely the present Government and the Conservative Party have the strength to do that?

U.S. ANTI-TRUST POLICY

When big is not bad

By Anatole Kaletsky in Washington

RONALD REAGAN likes big business. That, at least, is what everyone believes and in the year since he took office a wave of record-breaking takeover bids has engendered something close to euphoria in boardrooms and on Wall Street.

At last, it seemed, big business would be set free from all the tiresome shackles of the world's most complicated and costly corpus of competition law.

But some of this euphoria is premature. The dismemberment of American Telephone and Telegraph (AT&T), the world's largest company, earlier this month was quite possibly the most radical exercise in anti-trust enforcement since the Supreme Court ordered the break-up of the original oil and tobacco trusts of Rockefeller and Duke in 1911.

It is, after all, hard to imagine such an immense act of industrial reorganisation, albeit the result of an agreement between the company and the Justice Department, being carried out on competition policy grounds in any other country.

There is thus enormous interest, both in the United States and elsewhere, in the emerging anti-trust philosophy of the Administration. And it is already clear that even under President Reagan anti-trust enforcement is far from dead.

Mr William Baxter, Assistant Attorney General in charge of the Justice Department's Anti-Trust division, has actually been making this clear all along. Last year, for example, he promised to "litigate the AT&T case to the eyeballs." And he says without hesitation that he would have brought the AT&T case if he had been in his present position in 1975.

Populist hostility to company size

Mr Baxter refuses to criticise his predecessors for starting the IBM case, which was dropped on the same day as the AT&T case was settled. However, he adds, "It is hard to put yourself behind the veil of ignorance" about IBM's activities which existed before the case began.

"In general," he says, "I have no difficulty with the idea of prosecuting criminal monopolisation cases (such as AT&T and IBM). But I don't think it should be used to harass large and successful companies in response to populist hostility to company size."

What the Reagan Administration has done is to rein back some aspects of anti-trust enforcement after what is seen as a period of excessive zeal, in which the Justice Department and the Federal Trade Commission (FTC) (which shares responsibility for anti-trust enforcement with the Justice Department) attempted to establish quite new legal precedents against conglomerate mergers, oligopolies and "shared monopolies" (groups of companies acting unconsciously in collusion to restrict competition).

The FTC has dropped major shared monopoly cases which were being prepared against oil companies, car manufacturers and cereal manufacturers. However, as if to emphasise that even this aspect of anti-trust is still alive, the FTC is continuing energetically to prosecute a smaller shared monopoly case against ethyl manufacturers, including Ethyl Corporation and Du Pont. In addition the FTC is busy investigating co-operative arrangements between groups such as doctors, lawyers, trade unions and farming co-operatives to see if there are any aspects of these arrangements that could be subjected to anti-trust law.

However, the most visible and controversial part of anti-trust enforcement is the supervision of mergers. Much has been made of the new Administration's more relaxed attitude to mergers which do not involve direct competitors. But in fact previous Administrations rarely succeeded in blocking conglomerate or "vertical" mergers even if they attempted at times to do so.

Mr Baxter insists that the effect of the new approach "mustn't be judged simply by the difference in the number of successful cases being brought against mergers under the two Administrations. There is a tuned-in private bar out there and they know what the Justice Department is thinking and planning. They will often deter companies from even attempting to merge because of the risk of enormous legal costs and delays. I can say this from personal experience."

He pours scorn on the attempts to develop legal theories under which conglomerate mergers would be seen as anti-competitive: "half baked theories such as the deep pocket effect (which predicted that a company which was acquired by a large conglomerate in a different market would use its new parent's financial resources to eliminate competition) and potential competition (under which a merger would be blocked on the grounds that the acquiring company, although not at present a competitor in the market in question might have plans to enter it), these were all cures for which there is no known ailment, Mr Baxter says.

The rejection of these theories against conglomerate mergers is of particular significance for foreign companies planning takeovers in the U.S. since potential competition and "entrenchment" have been the main arguments used against foreign companies which do not at present compete in the U.S. market, attempting to acquire a foothold by acquisition. In fact a number of large foreign takeovers have been passed by the Justice Department and the FTC with little or no objection in the past year.

Daimler Benz has been allowed to acquire Freightliner, Sohio (which is controlled by British Petroleum) has acquired Kennecott, and Consolidated Goldfields has been allowed to acquire up to 50 per cent of Newmont Mining. The takeovers of Texas Gulf by Elf Aquitaine and Santa Fe International by the Kuwaiti Government were subjected to special scrutiny because of the direct involvement of foreign governments, but they, too, have gone ahead without anti-trust objections.

Mr William Baxter: aiming to reduce the mystery area of merger enforcement with new guidelines

However, even in the area of potential competition the relaxation in policy should not be exaggerated. Mr Baxter says that he fully accepts the idea that potential competition may be a sound reason for blocking a merger in exceptional circumstances where a clear intention by the acquiring company to enter the market independently of the merger can be established.

> The Administration has reined back some aspects of anti-trust enforcement after what is seen as a period of excessive zeal

Indeed, the Justice Department and FTC are continuing litigation which was begun under the previous administration on these grounds. BAT Industries is being challenged by the FTC for its $280m takeover of Appleton Paper in 1978. Appleton is the largest producer of carbonless copying paper in the U.S. The market is highly concentrated, with four firms controlling 96 per cent and the FTC alleges that BAT, which is a large producer of this product outside the U.S., was an "actual potential entrant" to this market before it acquired Appleton. Administrative hearings on this case begin this month.

In another similar case, the Justice Department is attacking Siemens' takeover of Searle Diagnostics Inc., a leading manufacturer of nuclear diagnostic imaging equipment. Again Siemens, which manufactures and distributes similar equipment outside the U.S. is claimed to have been one of a small number of potential entrants into this market in the U.S., which is also highly concentrated, with the top four firms accounting for 77 per cent of sales. The Justice Department failed to obtain an injunction to block the takeover in March, 1980, but is still attempting to have the merger dissolved.

However, potential competition had always been hard to establish in the courts. In the biggest recent case, the FTC eventually lost its complaint against BOC International, which took over Airco in 1977, and it has been accepted in both the present and the previous administrations that few foreign takeovers could be blocked on strict anti-trust grounds.

In the Baxter anti-trust division, as in that of his predecessors, it is "horizontal" mergers, involving companies directly competing in the same markets that are mainly suspect. And there is no evidence yet that the traditionally very strong opposition to pure horizontal mergers has been very much relaxed in deciding whether to oppose a merger.

But Mr Baxter stresses that there are also "perfectly sound doctrines in U.S. anti-trust laws which have nothing to do with the populist hostility to large companies in themselves. In keeping large companies in concentrated markets from combining, and in preventing collusion, the anti-trust laws make good sense."

In the Baxter anti-trust division, as in that of his predecessors, most "horizontal" mergers, involving companies in the same markets, are still suspect. In deciding whether to oppose a merger he seeks to define the market as precisely as possible, both geographically and in terms of its relationship with markets in other goods.

For example, the Justice Department may decide that "the market in pencils should not be considered in isolation from the market in ballpoint pens, since they are close substitutes for one another and there may not be large barriers preventing a company moving from one to the other if lack of competition begins to drive prices up."

He then decides whether the market is sufficiently concentrated to worry about an increase in concentration and finally whether the merger in question would constitute such a "significant" increase.

The guidelines which exist at present on the last two questions were drawn up in 1968 and are remarkably restrictive. They imply that any merger creating a market share of over 6 per cent could be considered anti-competitive. In fact, according to Mr John Shenefield, who was Assistant Attorney General and later Associate Attorney General in the Carter Administration, mergers resulting in a concentration of less than 10 per cent have rarely been challenged since the early 1970s.

However, while Mr Baxter has promised to publish new guidelines to the present practice of his division "in order to reduce the mystery area of merger enforcement to some minimal boundary and allow companies to go about their normal business, including their merger business" with as much confidence as possible, his new guidelines may prove disappointing to advocates of a completely laissez faire approach.

He suggests, for example, that in a market where there are only six or less companies of roughly equal size, a merger could be significant. Indeed, Mr Baxter's actions confirm that horizontal mergers will continue to be difficult under the Reagan Administration. Last October his department challenged and deterred a merger between the Schlitz and Heileman brewing companies which would have created a company with a combined market share of only 16 per cent in the U.S. as a whole.

Although there was talk at the time that the merger may have been blocked on political grounds (the owner of one of the other major brewing companies, Mr Joseph Coors, was a close associate of president Reagan, Mr Shenefield, like other antitrust lawyers now outside the Justice Department, believes that "the antitrust division would have lost all credibility if it had allowed the Schlitz-Heileman merger to go unchallenged."

The Justice Department shares responsibility for anti-trust enforcement with the Federal Trade Commission and the views of the two agencies do not always exactly coincide. In the past the FTC has tended to try harder than the Justice Department to establish new precedents. Now it appears that, under Mr Thomas Campbell, a brilliant 29-year-old lawyer with an economics doctorate from Chicago, the Competition Bureau may seek to adopt a more laissez faire approach than the Justice Department, at least to horizontal merger cases.

Mr Campbell was criticised in some quarters for being unduly helpful to Mobil in its efforts to overcome the anti-trust obstacles against its bid for Marathon Oil.

He insists that all his bureau's actions must pass economic as well as legal tests. He is "inclined to trust markets and will not intervene in general unless I am convinced that markets won't work." In the case of a merger such as Mobil-Marathon this involved applying "a more sophisticated level of economic analysis than used in anti-trust enforcement heretofore."

The FTC would have agreed to the merger if undertakings were made to sell off parts of the overlapping assets. In the event, Mobil's bid was thwarted by U.S. Steel.

In other cases, Mr Campbell suggests, horizontal mergers may even increase competition, by enabling two small firms to combine and challenge another company which is dominating a market.

The boundaries of merger activity

The Justice Department's more cautious attitude to this theory and to the whole business of trying to mix economics and law too intimately was expressed by Mr Baxter like this: "I believe that mergers generally are efficiency-enhancing. This economic fact is taken into account in setting the boundaries of merger activity. But once you've crossed these boundaries, you're in an area where statistical generalisation suggests that competition problems arise. I don't think you can run a legal system by vesting too many subjective judgments in the enforcement agencies. It's like a bank robber who says that he could put the money to better use than the bank. I'm sure there have been cases in history where this is true, but you cannot build a legal system round that."

Only in the U.S., with its deep and pervasive dread of monopoly could such a comparison between monopolisation and bank robbery seriously be made. In such a society neglect of anti-trust enforcement would be politically impossible. So in the end the policies of the Reagan Administration may not differ very much in their practical effects from those of the past few years.

Men & Matters

The Treasury boxes clever

Treasury Ministers and officials, never too keen on power-sharing, have always been loth to leave too much manipulation of the money markets and fiddling with foreign exchange rates to their better-heeled counterparts at the Bank of England.

Now Whitehall has a chance to keep a closer eye on what they are up to in Threadneedle Street. As part of a move to allow closer scrutiny of the minute-by-minute fluctuations of currencies and interest rates, the Treasury has plugged itself into the Reuters video-screen information system.

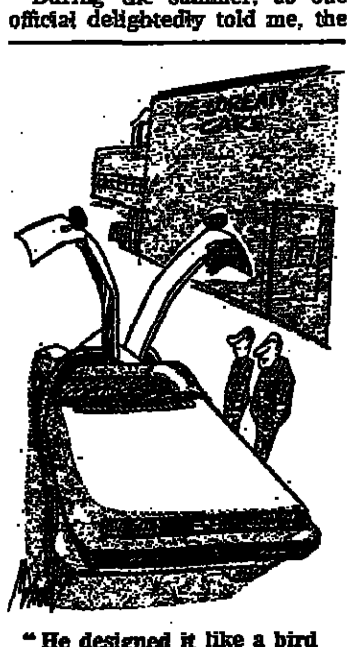
A couple of malevolent-looking TV screens now sit blinking out currency rates and electronic news flashes in the Treasury Press office and home finance division.

During the summer, as one official delightedly told me, the system will even provide them with the Test Match scores.

But the main object is to provide for better co-ordination between the Treasury and the Bank in delicate dealing operations such as the inch-by-inch reduction of money market interest rates at the end of last month.

Treasury technicians who keep a watch over such matters have pleaded for the computerised aids for the past 18 months. The cost has not yet been disclosed but, anxious to dispel any notion that this leap into the electronic age will be an extravagant burden on the public-sector borrowing requirement, the Treasury is keen to point out that it is still a laggard in the video-screen stakes.

The men in Threadneedle Street — like the rest of the City — have long accepted the Orwellian boxes as part of the office furniture.



"He designed it like a bird in the hope the Government would make it a protected species."

Top circles

"Max Grundig is a very dynamic man," says Kurt Hackel, the sixth chief executive in seven years to be pushed off the management of West Germany's largest consumer electronics company.

"Some men are still young at 73," Hackel says of his former employer. "His decision now is that he will lead the company himself — and as the owner it is his right to do so."

But while Hackel takes a holiday and waits for job offers that will surely come from other parts of German industry, as they did for his fallen predecessors, Grundig will not be left entirely without help.

He recently hired as personal financial adviser Ludwig Poullain, one-time head of the Westdeutsche Landesbank who was cleared in November of charges of corruption, fraud and breach of trust after an 11-month trial.

Poullain is expected to take a seat on the supervisory board of Grundig and to join the trustees of the Grundig Foundation, the body through which Max ensures his "unrestricted role as owner."

To give himself more time for running the daily business, Grundig has also brought in as chairman of the supervisory board, Berthold Beitz, who holds the equivalent post at Krupp.

Word perfect

Sir Anthony Burney's stint as chairman of leisure group Brent Walker has apparently stimulated an interest in information technology.

Not only is he to become chairman of a new management buy-out group from the ill-fated Nexos computer services arm of the NEB—Urwick Nexos, a consultancy and training company—but he is also busily promoting a little gadget of his own.

Burney has bought the rights to a German invention which enables you to read the words of a typed page and hear them read at the same time by the author or some other master's voice.

All done through a £20 black box and a series of 20p transparent square records placed over the pages, it has obvious literary uses. But Burney has in mind more mundane commercial applications like training salesmen in their patter by reading the words and listening while they do so to the subtle inflections used by a master craftsman to get the same message across.

Commons cause

Tory MP Julian Critchley is having a hard time persuading the Commons to fill one of the two empty plinths in the Members' Lobby with a statue of that "unexpected Prime Minister" of the inter-war years, Stanley Baldwin.

After two weeks of canvassing, Critchley has only got 79 MPs to back his proposal—and they include only three Labour MPs, one Social Democrat and a solitary Liberal, Jo Grimond.

Before Leader of the House Francis Pym can be pushed into taking a vote on the issue, Critchley reckons he needs at least 150 Tory signatures to his motion and perhaps half as many again from the Opposition benches.

Fourteen Labour MPs led by Willie Hamilton, however, have flatly declared that no memorial is needed to Baldwin's "hostility . . . to the aspirations of working people, his responsibility for mass unemployment unequalled until today . . . and his record of appeasement of Nazism."

An unfair reading of history, Critchley claims—having been motivated himself by reading a collection of Baldwin's speeches published in one of the first Penguins.

Baldwin's claim to a Commons memorial, he says, rests on the way he safeguarded the constitution, turning a revolutionary Labour Party into more traditional paths, defeating the 1926 General Strike, and "seeing off" Mrs Simpson.

But Critchley confesses to some concern about a lingering antipathy on the Tory benches — "though the wets, in general, are in favour," he says.

Ted Heath, in particular, has joined Sir Harold Wilson and James Callaghan in supporting the proposal. "But they would wouldn't they?" say the cynics. Some day presumably someone will be suggesting suitable niches be found for their busts.

Observer

FOREIGN AFFAIRS

It is not enough to be 'tough'

By Ian Davidson

JARUZELSKI: a conundrum; GROMYKO: electric; REAGAN: pressured; HAIG: Atlanticist

ONE OF the most depressing features of the Polish crisis is that it has played right into the hands of the far right in the U.S. The result is that President Reagan is finding himself under pressure to adopt foreign policy stances which are inconsistent, counterproductive or even downright silly, and which are almost bound to aggravate the tensions between America and its western European allies.

The inconsistency derives from the struggle between what one might call the unilateralists and the Atlanticists. The unilateralists believe that America's only foreign policy priority is to be tough with the Russians, and that if necessary America must be prepared to act alone in the pursuit of this objective. The Atlanticists believe that the world is a lot more complicated than that, and that a very high, if not over-riding, priority is to act in concert with the European allies. In this struggle the unilateralists have been epitomised by Mr Caspar Weinberger, the Defence Secretary, and Mr Richard Allen, until recently the National Security Adviser at the White House, while the Atlanticists have been represented by Gen. Alexander Haig, the Secretary of State.

During much of last year this struggle manifested itself in ill-disguised bad temper between the opposing camps, and by oscillations of policy which seemed only to reminiscent of the Carter years. But by last autumn it started to look as though General Haig might be winning the war.

That was certainly what top State Department officials were claiming, with nods and winks, after President Reagan's speech in November, in which he offered arms control negotiations with the Soviet Union on both intermediate-range and strategic nuclear weapons. And that's what it certainly loooked like when Richard Allen fortuitously lost his White House job, and was replaced by William Clark, until that moment Haig's deputy down at Foggy Bottom.

Haig's apparent victory seemed to be clinched in a rather dramatic way after the Reagan-Schmidt talks at the beginning of last month. After the meeting, General Haig did not merely confirm that the U.S.-Soviet negotiations on intermediate-range nuclear weapons would resume in Geneva on schedule, despite the crackdown in Poland; he also confirmed that his meeting with Andrei Gromyko, his Soviet counterpart, would go ahead and he even held out the possibility of a summit between Reagan and Brezhnev. Control of nuclear weapons, he said, would be in the interests of the West as well as the East and should therefore be placed in a special category outside the normal run of East-West relations; while top-level communications between the two super-powers was more, rather than less, important at a time of crisis.

It is hard to know whether Reagan and Haig adopted this line out of profound conviction of its wisdom, or because this was the only way they could get Helmut Schmidt to line up with them in blaming the Soviet Union for the clampdown in Poland. But either way, the position as enunciated by Haig was an almost unequivocal rejection of one of the most noxious legacies of Dr Henry Kissinger, the concept of "linkage," according to which arms control negotiations should only be conceded to the Russians if they behave properly in other ways.

The concept is noxious because it implies either that all arms control agreements are unfavourable to the U.S.—which may be not all that different from what the far right in America believes right now—or else that, by behaving nicely in other ways, the Russians can persuade Washington to negotiate a weapons treaty which gives them a palpable advantage.

In these terms the concept is nonsensical. Where linkage rejoins reality is in the impact of general patterns of Soviet behaviour on public opinion in America. The Soviet invasion of Afghanistan did not prove that the second Strategic Arms Limitation Treaty (SALT II) was a bad treaty, but it did scupper it in the U.S. Congress.

Admittedly there have been setbacks to the advance of the Atlanticists: in a knee-jerk reaction to the military crackdown in Poland in December, President Reagan announced unilateral sanctions whose central measure—the ban on high-technology equipment relevant to the planned Soviet gas pipeline—seemed designed to punish the European allies as much as the Russians. But this looked like a tiresome blip on a graph which was generally pointing in another direction, and by last week leading American columnists were confidently proclaiming that General Haig had won and was finally in charge of American foreign policy.

Did they speak too soon? Even as Mr Joseph Kraft was handing down the victory verdict in the columns of the Los Angeles Times, it was being overturned by Dr Henry Kissinger in those of the New York Times, in which he fulminated against the Administration for its feeble dithering in the face of Soviet misdeeds in Poland. A new and unlikely champion of the far right had spoken.

The State Department immediately reduced the Haig-Gromyko session from two days to one, and announced that the purpose of the meeting would now be to protest at the Soviet role in Poland, and not (as had previously been thought) to talk about the opening of negotiations on the control of strategic nuclear weapons.

Since that meeting, President Reagan has twice spoken of the possibility of further sanctions, including (for the first time) a curb on American grain sales to the Soviet Union, if the Polish situation should continue to deteriorate. In other words, after a painful time-lag, in which the Europeans struggled reluctantly to match the unilateralism of the first wave of U.S. sanctions, Reagan is being goaded by the far right to threaten another unilateral wave.

This is disturbing, and in rational terms puzzling. Making sense of President Reagan's most recent pronouncements is, of course, not easy; perhaps he is still committing the sin for which he was so roundly rebuked by Kissinger, and trying to fend off unilaterialist pressures by substituting talk for action. But perhaps he really is on the verge of new sanctions, and that implies that he assumes some quick fix is available to General Jaruzelski.

By now it has become irrelevant to debate whether General Jaruzelski was justified in imposing martial law—though it is difficult to shrug off the view of the Catholic church in Poland that the country had been in a potential state of civil war. Even if that was an over-statement, or an attempt by the church to cosy up to the martial law authorities, it is nevertheless clear that Poland is an arena of extremely complex political antagonisms. The conundrum facing Jaruzelski is how to make the transition back to a more civilian method of government, in such a way as to minimise the risks of resentment turning into an explosion.

It may be that there is only one quick fix open to Jaruzelski now — a decision not to seek any compromise with the work-force, and to back up the existing apparat of state and party with a permanent regime of great repression. On the other hand, a strategy of conciliation and reform may also require a significant period of martial law. The trauma of the crackdown and internment may have made this easier if it has broken the most far-reaching political ambitions of rank-and-file members of Solidarity. But it may also have made it harder as it can only have revived the hopes of those in the state and party machines who are responsible for the state of Poland today and who have resisted reform for the past 18 months.

To the hard-liners on the other side of the Atlantic, the Polish crisis has been taken as proof that the Soviet Union is just as wicked as they always said it was, that detente was a total failure, and that the west Europeans are craven self-seeking traders. All of these propositions are absurd.

Detente and the development of East-West trade have in fact worked extremely well for the West; not, of course, in the way expected by utopians like Willy Brandt, but nevertheless extremely well. The Helsinki agreement played a significant part in providing Solidarity with a legal basis for its revolution, and it continues to provide a legal basis for western support for reforms. The Russians, the Poles and the Romanians are now slowly turning in the wind in a noose woven out of their economic profligacy and incompetence and their uncontrollable dependence on western goods and western finance. This dependence in turn creates the strongest internal pressure for reform in eastern Europe.

For the past six weeks, the American right has been enjoying an emotional orgy. They (and we) will be in a much more embarrassing position if martial law is eased or lifted, because we shall start having debates about how much reform, and at what pace, is "acceptable." The only reliable criterion — and I apologise if this sounds crude — will be a commercial test.

The West is right to withold trade credits and the rescheduling of debts, not as a punishment, but because a Poland in a state of profound political conflict is a much worse risk than a Poland which is, within limits, at peace with itself. Sooner or later that must mean reform, but we in the West cannot determine from outside what type or degree of reform it requires.

Lombard

Market view of next election

By Samuel Brittan

THE MARKET'S assessment of the prospect for a company, a currency or a fixed interest stock is highly fallible. Currency and security movements are always taking the market by surprise. All that one can say of an indicator such as a forward exchange rate is that although it is certainly wrong, it is the least bad guide available.

For if the market were clearly and obviously in error about a currency or a security, there would be very great gains to be obtained from purchases or sales until the error is eliminated. Those who diverge from the market price in one direction are no more likely to be right than those who diverge in another; and a group of people who have outperformed the market in the past cannot be relied on to do so in the future.

These rough generalisations apply to the political as well as the economic market-place. People voting anonymously with their pocket book are less likely to be wrong than pundits dealing in paper predictions.

Where is then the political market? It is not to be found in the opinion polls, which are an immediate snapshot, which take little account of differential abstentions, the vagaries of the voting system or opinion changes between now and polling day.

People are, however, putting their money where their mouths are when they place bets on election results. They do so in the full knowledge of the opinion polls—to which they add their own guesses about future events and their effects on voters. They act anonymously and stand to lose financially if they are wrong. Wishful thinking is, therefore, likely to be minimised.

Bookmakers have already started to take bets on the next election. As that event may be over two years away, the betting is limited, markets are thin and bookmakers' own views have an influence. But quotations are available on the party with the largest number of seats in Parliament—which may not be an absolute majority.

The SDP-Liberal Alliance is most favoured, with William Hill offering evens and Ladbroke's 11 to eight against it. Second come the Conservatives with Ladbroke's offering six to four against, and William Hill two to one against. Labour trails with Ladbroke offering nine to four against and William Hill five to two against. The surprise is that the Conservatives (who have recovered a little in the past few weeks) are not more unfavourably placed.

Strictly speaking, that is all one can say. For the punters are expressing no view on the number of seats the leading party will obtain. Nor do they have to say who will come second and who third.

If, nevertheless, we average the odds of the two bookmakers, scale down for their "turn" and leave aside 5 per cent for Nationalists, Ulster Unionists and others, we arrive at the following results. The Alliance has nearly 38 per cent, the Conservatives just under 32 per cent and Labour over 25 per cent.

It is not clear whether to interpret the percentages as seats or votes. The betting is on seats. But if one places a bet on, for instance, the Alliance, no opinion is being expressed on the relative showing of Labour and the Conservatives. Under the voting system to which Mrs Thatcher is so attached, the Conservatives could easily gain more votes than Labour yet have far fewer seats.

The most likely outcome on the present odds is a coalition or informal understanding between the Alliance and one of the other parties. The more extreme lunacies of the voting system could just possibly give Mr Foot an absolute majority or commanding position with fewer votes than last time. But leaving aside this freak result, the probability is that Labour and Conservatives will both have to woo the Alliance, and the influence of Labour "moderates" who would like to make their peace with the SDP will be strengthened. Indeed, the political prospect has now become so interesting that Mr James Callaghan, who does not despair of Labour and the SDP finding common ground, is likely to stand again at the next election.

Letters to the Editor

The importance of design in British industry

From Mr Peter Gorb

Sir, — Christopher Lorenz's important article on Design (January 25) identifies the key issue which inhibits a fast and effective solution to the problems he poses. It is the lack of understanding amongst managers about what design is and how they can use it.

They can scarcely be blamed for this. Design is cluttered with associative qualities like style, aesthetics, creativity, external appearance and so forth; all valuable qualities, but none of them necessarily central to the design function.

At heart design is simply a planning process for artefacts. In a manufacturing business, this means the plans for the products; which are, or should be the direct concern of the managers. It also means for both manufacturing and service businesses, the plans for the environments (buildings, tools, distribution networks and so forth) through which the purposes of the enterprise are achieved, and the plans for the visual information systems through which those purposes are communicated, covering everything from management information, to advertising.

Once this central pervasive role is understood and appreciated, managers are usually prepared to make space for the designerly skills, and even to practice them themselves. These skills are firstly a high degree of visual literacy and secondly and more fundamentally, a problem based way of working and thinking. Both of these skills receive less attention than they deserve in the education of our children and as Lorenz rightly points out a social revolution is needed to effect the changes needed. But these changes are unlikely to influence business performance in either the short or long term, without making space for design in the hand, heart and hands of today's managers.

A contribution to that task has been going on at the London Business School for the past six years with some success and growing interest abroad, particularly in the U.S., where no design teaching as yet exists in Business Schools. What is now contemplated is a reinforcement and extension of the existing teaching to many more British managers. But that is dependent on funds being available to make it happen.

Peter Gorb.
London Business School,
Sussex Place, NW1.

From Sir Monty Finniston

Sir,—James Pilditch, quoted by Christopher Lorenz in his article on Monday is quite right. "The only worthwhile judge (of design) is the consumer."

After more than 60 years of campaigning for better design (and with responsibility, according to a spokesman for the Board of Trade, for the setting up of the Design Council) the Design and Industries Association is planning to launch a subscription service for schools which will help to ensure greater discrimination among consumers of the future. The DIA's proposals would involve young people not only in appreciating the relationship of design, technology and engineering to society's development both past and in the future, but also intends to give them practice in making buying decisions, e.g., on furnishing, without actually spending money. Funds are now being accumulated for an extension of the Association's work, of which the Schools Service would be part.

One other aspect of our activities which might be worth noting is a seminar in conjunction with the Institute of Marketing in Sussex Place on March 30. The title is "Where have all the Entrepreneurs gone?" and speakers will explore the relationship of design to British commercial success.

There is a great deal to be done to encourage industry to consider the virtues of good design; and it is important for those already convinced to support the Design Council and the recommendations of Sir Kenneth Corfield's report with their enthusiasm.

Monty Finniston.
President, Design and Industries Association,
17, Lawn Crescent,
Kew Gardens, Surrey.

From the Editor,
Design Engineering.

Sir,—I am not sure exactly who attended Mrs Thatcher's soiree last Monday, but from the names mentioned in Chris Lorenz's excellent feature: Conran, Bayley, Jenkin, Carter and Pilditch, etc., there may well have been dearth of expertise on the subject of designing for production.

Was there a representative from Salford University for example? He may well have been able to help explain some of the intricacies of turning breadboard prototypes into viable hardware. But perhaps he's been made redundant!

If Mrs Thatcher is worried about finance, does she know about the Smallpiece Design for Production Centres financed by a trust fund set up by Cosby Smallpiece, a successful industrialist who knew exactly where the weakness was in the British innovative process and who died in 1977 completely unrecognised for his vision and wisdom, not to say his generosity.

Christopher Lorenz wrote that international competitiveness was the missing link in British design, he may know that Cosby Smallpiece set up Martonair International in 1945 and that company is now the leading pneumatics technology company in Europe if not the world's!

How many of Mrs Thatcher's expert guests could match that performance?

It was also interesting to note that one of the world shattering suggestions made, according to Christopher Lorenz, was to widen the Design Council's advisory service. This journal, among others, has been saying that for years!

Perhaps the main problem confronting British design is the noble British art of lip service?

C. Robbie Robinson
30, Calderwood Street, SE18.

Taxation without representation

From Mr A. Potter

Sir,—We see that Mr Heseltine, like all his predecessors, has failed to grasp the very thorny problem of rates and the gross inequalities of the present system. Also it is apparent that he has, to all intents and purposes, ignored the very sound advice presented to him by the Association of Independent Businesses and many other knowledgeable groups.

It may be well to point out some of the anomalies of the present rating system. Why should a small company pay more for its working space than a large company? Why should a single wage earner in a house pay the same rates as an equal house with four wage earners? Why should industrial premises be rated and farms be free of rates? Why should domestic ratepayers be the only sector allowed to elect councillors when they contribute less than 10 per cent of the total rates collected?

It is time that the present rating system was replaced by local income tax. It is also time councillors stopped trying to be high-flying industrialists and refrained from using ratepayers' money for industrial purposes. The results demonstrated so far indicate that they are very incompetent at administering ratepayers' money. I would suggest they would not last three months in a similar job in industry.

The private sector of industry is fed-up to the back teeth, with having to support overspending councils and protecting the jobs of the public sector. The continuing support of these areas inevitably results in redundancies and in the closure of companies. It is time for common sense and not politics to prevail, the present system of "Taxation without Representation" must be changed. Now!

A. Potter,
Member, Regional Council
Association of Independent Businesses,
T.G.M. Gauge Maintenance.
Station Road,
Coleshill,
Birmingham.

Neither a borrower nor a lender be

From Mr S. A. Thompson.

Sir,—Good for Miss Louise Bloch (letter January 20) it might not make her popular with all her contemporaries but to me, who started this correspondence on credit cards, it was music.

Once it was almost a crime to get involved with money-lenders who levied extortionate rates of interest but now it is encouraged by institutions, which not so many years ago were considered above reproach.

How can we hope to keep wage demands within what the nation can afford when such institutions encourage, with blatant advertising, people to spend what they cannot afford. Please no one write and cite the case of home loans—that is entirely different, a capital asset.

S. A. Thompson,
Lower Newlands,
Teynham, Kent.

Viking swords stay in Denmark

From Mr J. E. Upton

Sir,—May I suggest to your Danish correspondent that he follows the example of his Viking ancestors who transported their swords in vessels of a different shape.

A cardboard cube, with each side measuring only three-quarters of a metre, will contain his 1.28 metre weapon—packed diagonally. Such package would not excede the one metre limit imposed by the Danish Postal Authority.

J. E. Upton.
32 Grosvenor Gardens
Mews North, London SW1.

Gill and others lobbied in battle over ACC bid

BY JOHN MOORE

MR JACK GILL, the former managing director of Associated Communications Corporation, and other key voting shareholders outside the ACC boardroom have been contacted over the weekend by advisers to Heron Corporation in an effort to lobby support for a £46.6m takeover bid by Heron.

Around 25 shareholders, out of the 35 shareholders who hold the entire voting ordinary capital of the company have been sent a letter by Barclays Merchant Bank, advisers to Heron telling them that "the prospect of a higher offer for your company is open both to you and the "A" (non-voting) ordinary shareholders."

Mr Gill holds a crucial 15 per cent voting stake and BPM Holdings, the holding company of the Birmingham Post and Mail, holds another 5 per cent of the voting shares. In all the shareholders contacted by Barclays hold around 34 per cent of the voting shares.

Barclays had not written to the directors of ACC, who have given undertakings or commitments, representing 63.6 per cent of the voting equity to accept an offer worth £36m from The Bell Group, the Australian company headed by Mr Robert Holmes à Court. Mr Holmes à Court recently took over the chair of ACC from Lord Grade. The merchant bank took account of the extensive legal proceedings between Heron and ACC.

In its letter to the voting shareholders, Barclays says that in the legal proceedings "certain undertakings have been given to the court" on behalf of ACC and the directors. "The undertakings require that certain arrangements with the Independent Broadcasting Authority, upon which the proposed offers by Bell are dependent, be not implemented unless they are approved by ordinary shareholders at an extraordinary general meeting of your company."

The banks adds: "notwithstanding the commitments which your directors have given to Bell, the Bell proposals are therefore themselves subject to the outcome of the extraordinary general meeting. The rejection of the resolutions to be proposed at such meetings will therefore open the door to other offers."

The letter states that the evidence of Mr Holmes à Court produced in the legal proceedings "which confirms that the commitments given by certain of your directors to accept the proposed offers by Bell are themselves subject to one important qualification."

When the commitments were given, the letter says, "it was explained to the relevant directors that should a clearly 'preferable' offer subsequently be made and if the relevant directors asked to be released from their commitments, then Mr Holmes à Court on behalf of Bell would feel obliged to release those directors from their commitments provided it was clear to him that:

- Such a course was not in conflict with the requirements of the Independent Broadcasting Authority or the City Code on Takeovers and Mergers;
- This course of action was supported by the company's financial advisers, and
- it clearly represented what he considered to be his commercial responsibility, that is what could be described as the proper way to act in all circumstances."

The letter concludes that "although emphasising that he would not agree to be contractually bound to give such a release, Mr Holmes à Court did see an overall obligation on his part to act in accordance with a high standard of responsibility and to behave in a manner which accords with the highest standards of commercial conduct."

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Hillards, Howard Shuttering, R. H. Morley, Regional Properties, Textured Jersey.

Final:—Kellock Trust.

FUTURE DATES

Interims:—

Ferry Pickering	Mar 30
Home Farm Products	Feb 8
Impala Platinum	Feb 15
Smith Brothers	Feb 4
Finals:—	
Crest Nicholson	Feb 9
Gillett Brothers Discount	Feb 17
IDC	Feb 2
Securicor	Feb 10
Security Services	Feb 10
Western Selection and Dev.	Feb 3

Higsons setback

A SUBSTANTIAL reduction in pre-tax profit for the first half of the current year is expected by Higsons Brewery, shareholders were told at the annual meeting.

Mr D. B. Corlett, vice-chairman, referred to the decline in trade from last September, and reported that the recent severe weather had further affected turnover and profit. Steps have been taken to improve margins and reduce costs, but there would be a substantial decline in the profit. Last year the company made £636,000 in the first half and £1.76m over the whole 12 months.

Despite the setback, the board had confidence in the long-term strategy which should see the company well placed to take advantage of any upturn

Marley starts to pick up

THERE SEEM to be faint signs that business is at last beginning to pick up says Sir Owen Aisher, chairman of building products group Marley, in his annual statement. Overall, he says: "We think the outlook for our future profitability can be very exciting indeed."

Commenting on the problems discovered at the U.S. subsidiary Ingrid, Sir Owen says that immediate action was taken and the parent board is now confident in the new management's ability to run Ingrid in a sensible and disciplined fashion: "We are satisfied that we have an investment in a business which will be of growing value to Marley."

Meanwhile the rest of Marley has begun to show what can be achieved with, so far, only marginal assistance from the market-place, he states. He points to the very strong performance during the final quarter of 1980-81, particularly in roofing, plumbing and flooring, on only a minimal increase in volumes. This was achieved by operating with reduced costs while maintaining service to customers.

As reported December 17, group pre-tax profits edged ahead to £15.1m (£15.03m) on sales of £383m (£362m). The net total dividend is held at 2.25p.

At year end borrowings were up at £92.55m (£78.66m) and cash and short-term deposits amounted to £4.22m (£3.25m). Working capital was up £7.2m (£1.6m).

The report and accounts disclose that the total beneficial shareholdings of the Aisher family in the capital of the company have been reduced from 7.47m to 4.89m shares over the 12 months to October 31. In percentage terms this represents a reduction from 3.66 per cent to 2.4 per cent of the total capital. A note to the directors shareholdings says that the changes in the Aisher family holdings relate mainly to "realignment of interests rather than third party disposals."

Referring to the Monopolies Commission's report on the UK concrete roof tile industry, published in November, the chairman says: "We have no right of appeal against the commission, with whom we disagree in regard to some of their findings, but in any case the customer is the final arbiter and most likely to be right."

The accounts show that the highest paid director during the year received £89,000 (£72,000). The chairman's remuneration remained at £61,000.

Meeting: Riverhead, Sevenoaks, on March 3 at noon.

Espley-Tyas confident

With the work on hand and the quality of its secured property projects, Mr Ronald Shuck, chairman and chief executive of Espley-Tyas Property Group, tells members in his annual review that an earnings advance is expected during the current year.

Compared with a forecast of not less than £1.6m, given in the February 1981 prospectus, pre-tax profits for the year ended September 30 1981 amounted to £2.28m on a turnover of £29.65m, as reported on January 20.

Auditors point out that accounts of Manston Development Company—now a subsidiary—are not available and, while full provision has been made against the investment in the company, they are unable to satisfy themselves as to whether any further loss remains to be accounted for in accordance with SSAP 1.

They add that the accounts do not contain the current cost accounts required by SSAP 16.

Mr Shuck says that since the year-end, terms have been provisionally agreed for the acquisition of the oustanding minority shareholdings in Manston Development. He says that the success to date, and indications for the current year "fully justify the actions taken to ensure it becomes a wholly owned subsidiary."

He adds that both turnover and profitability have increased dramatically, compared with the figures in the year prior to acquisition.

Meeting, Inn on the Park, W, on February 22, at noon.

Oxley Printing in liquidation

Oxley Printing Group, whose share quote was suspended in August 1981, has been placed into creditors voluntary liquidation following meetings of the company's members and creditors.

Mr John Powell, a partner in Cork Gully, was appointed liquidator.

The statement of affairs disclosed realisable assets of £1.9m and creditors of £2.7m. It was reported that there was little likelihood of any return to any of the 2,200 shareholders.

Jitra Rubber static at year-end

Revenue at Jitra Rubber Plantations, investment company, remained static at £136,996 compared with £137,139 in the year to September 30 1981. An associate company, the Singapore Para Rubber Estates, contributed £68,084 against £58,720 of this total.

There was a tax charge of £48,765 against £50,380, and the associate's share was £30,259 (£29,369). The dividend is unchanged at 0.5p per 10p stock unit. Disposal of investments resulted in a net gain of £37,674 (£401), less tax thereon of £6,265 (nil). Stated earnings per share were little changed at 0.79p (0.78p).

SPAIN

1981-82 High	Low		Jan 29 Price %
350	251	Banco Bilbao	336
359	280	Banco Central	348
323	229	Banco Exterior	315
337	239	Banco Hispano	321
128	115	Banco Ind. Cat.	115
383	284	Banco Santander	356
220	148	Banco Urquijo	220
395	263	Banco Vizcaya	374
252	203	Banco Zaragoza	233
165.5	82	Dragados	158
75	45	Espanole Zinc	60
72	55	Fecsa	61
55	22	Gal. Preciados	46
82.7	63.5	Hidrola	64.5
62.5	50	Iberduero	53
102.5	70	Petroleos	99.2
104	70	Petroliber	97
102	25.5	Sogefisa	25.5
80	60	Telefonica	72
78.2	60	Union Elect.	65

FT Share Information

The following securities have been added to the Share Information Service:

Cussins Property (Section: Property).

Orbit Holdings (Oil and Gas), Sonic Tape (Electricals).

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
Anglo American Gold	Mar 12	Final 600c	*Imperial Gp.	Feb 11	Final 4.5
*Assoc. Fisheries	Feb 5	Final 0.75	*Lloyds Bank	Feb 19	Final 9.5
Ault and Wiborg	Mar 6	Final 1.05	*Lonrho	Feb 11	Final 6.0
BTR	Mar 12	Final 5.5	Marchwiel	Feb 19	Final 3.6
Barclays Bank	Mar 5	Final 9.25	Mitchell Cotts	Mar 5	Int. 0.656
Bibby (J.)	Mar 5	Final 4.925	*NatWest	Feb 23	Final 12.25
Birmid Qualcast	Feb 18	Final nil	Nottingham Manufacturing	Feb 23	Final 3.0
British Aluminium	Mar 11	Final 2.0	Plessey	Feb 26	Int. 3.22
British Petroleum	Mar 12	Final 14.0	Ransomes Sims and Jefferies	Mar 4	Final 8.0
British Vita	Mar 3	Final 2.6	Rentokil	Mar 6	Final 1.8
Brown Bros.	Feb 26	Int. 1.0	Royal Dutch Petroleum	Mar 12	Final Fl 3.85
Carrington Viyella	Feb 25	Final 0.4	Royal Insce.	Mar 2	Final 14.75
Commercial Bank Aust.	Feb 25	Int. 10 cents	*Securicor	Feb 10	Final 1.71
*Commercial Union	Feb 23	Final 8.4	*Security Services	Feb 10	Final 1.8
Cons. Gold Fields	Mar 4	Int. 8.5	Shell Transport	Mar 12	Final 10.5
Dalgety	Feb 18	Int. 11.0	Sime Darby	Feb 19	Int. 10%
De Beers	Mar 10	Final 60 cents	Smith Bros.	Feb 19	Int. nil
*Dowty	Feb 11	Int. 2.2	Staffs. Potts	Mar 5	Int. nil
Fisons	Mar 2	Final 3.1	Transport Dev.	Mar 12	Final 2.8
General Mng.	Mar 5	Final 100c	Tube Invs.	Mar 11	Final 2.5
*Gold Flds. SA	Feb 2	Int. 125c	Turner and Newall	Mar 11	Final 3.0
Guinness Peat	Feb 10	Int. 2.75	Ultramar	Mar 11	Final 7.0
Hongkong and Shanghai Bkg.	Mar 10	Final HK$0.47	Unilever	Mar 3	Final 13.97
Hoover	Feb 23	Final 2.0	Utd. Biscuits	Mar 12	Final 2.5
*ICI	Feb 25	Sec. Int. 5.0	Utd. City Merchants	Mar 12	Int. 0.5
			Woolworth (F. W.)		Final 3.569

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

BASE LENDING RATES

A.B.N. Bank	14 %	Grindlays Bank	‡14 %
Allied Irish Bank	14 %	■ Guinness Mahon	14 %
American Express Bk.	14 %	■ Hambros Bank	14 %
Amro Bank	14 %	Heritable & Gen. Trust	14 %
Henry Ansbacher	14 %	■ Hill Samuel	§14 %
Arbuthnot Latham	14 %	C. Hoare & Co.	†14 %
Associates Cap. Corp.	15 %	Hongkong & Shanghai	14 %
Banco de Bilbao	14 %	Knowsley & Co. Ltd.	15 %
BCCI	14 %	Lloyds Bank	14 %
Bank Hapoalim BM	14 %	Mallinhall Limited	14 %
Bank Leumi (UK) plc	14 %	Edward Manson & Co.	15 %
Bank of Cyprus	14 %	Midland Bank	14 %
Bank Street Sec. Ltd.	15½%	■ Samuel Montagu	14 %
Bank of N.S.W.	14 %	■ Morgan Grenfell	14 %
Banque Belge Ltd.	14½%	National Westminster	14 %
Banque du Rhone et de la Tamise S.A.	14½%	Norwich General Trust	14 %
Barclays Bank	14 %	P. S. Refson & Co.	14 %
Beneficial Trust Ltd.	15 %	Roxburghe Guarantee	15 %
Bremar Holdings Ltd.	15 %	E. S. Schwab	14 %
Bristol & West Invest.	15 %	Slavenburg's Bank	14 %
Brit. Bank of Mid. East	14 %	Standard Chartered	‖14 %
■ Brown Shipley	14½%	Trade Dev. Bank	14 %
Canada Perm't Trust	14½%	Trustee Savings Bank	14 %
Castle Court Trust Ltd.	14½%	TCB Ltd.	14 %
Cavendish G'ty T'st Ltd.	15½%	United Bank of Kuwait	14 %
Cayzer Ltd.	14½%	Whiteaway Laidlaw	14½%
Cedar Holdings	14 %	Williams & Glyn's	14 %
■ Charterhouse Japhet	14½%	Wintrust Secs. Ltd.	14 %
Choulartons	14½%	Yorkshire Bank	14 %
Citibank Savings	¶15 %		
Clydesdale Bank	14 %		
C. E. Coates	14½%		
Consolidated Credits	14 %		
Co-operative Bank	*14 %		
Corinthian Secs.	14 %		
The Cyprus Popular Bk.	14 %		
Duncan Lawrie	14 %		
Eagil Trust	14 %		
E.T. Trust	14 %		
Exeter Trust Ltd.	15 %		
First Nat. Fin. Corp.	17 %		
First Nat. Secs. Ltd.	17 %		
Robert Fraser	14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11.50%, 1-month 11.75%. Short term £8,000/12 month 14.10%.
† 7-day deposits on sums of—under £10,000 11¼%, £10,000 up to £50,000 12¼%, £50,000 and over 12¾%.
‡ Call deposits £1,000 and over 11½%.
‖ 21-day deposits over £1,000 13%.
§ Demand deposits 12%.
¶ Mortgage base rate.

Public Works Loan Board rates

Effective January 23

Years	Quota loans repaid by EIP†	A‡	at maturity§	Non-quota loans A* repaid by EIP†	A‡	at maturity§
Up to 5	16½	16¼	16⅝	17	17	17½
Over 5, up to 6	16½	16⅝	16¾	17¼	17¼	16⅞
Over 6, up to 7	16⅝	16½	16⅞	17¼	17½	16⅞
Over 7, up to 8	16⅝	16⅝	16⅝	17¼	17¼	16⅞
Over 8, up to 9	16½	16½	16½	17¼	17½	16⅞
Over 9, up to 10	16⅝	16⅝	16½	17¼	17½	16⅝
Over 10, up to 15	16¼	16¼	16	16⅞	16⅞	16½
Over 15, up to 25	16	15⅞	15¾	16⅞	16½	16⅞
Over 25	15⅝	15¾	15⅝	16½	16⅜	16⅞

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual Interest gross interest	payable	Minimum sum	Life of bond
	%		£	Year
Barnsley (0226 203232)	14¼	½-year	1,000	3
Knowsley (051-548 6555)	14¼	½-year	1,000	4-8

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

£000's capitalisation	Company	Price	Change on week	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
1,224	ABI Hldgs. 10pc CULS	123	+2	10.0	8.1	—	—
4,052	Airsprung	70	+1	4.7	6.7	11.1	15.4
1,125	Armitage & Rhodes	45	−1	4.3	9.6	3.8	8.5
12,526	Bardon Hill	205	+3	9.7	4.7	10.0	12.1
6,268	Deborah Services	81	−1	6.0	7.4	4.0	7.6
4,143	Frank Horsell	130	+1	6.4	4.9	11.7	24.1
11,268	Frederick Parker	78	+3	1.7	2.2	33.9	—
923	George Blair	50	+1	—	—	—	—
3,358	IPC	95	+1	7.3	7.7	6.8	10.3
2,520	Isis Conv. Pref.	105	—	15.7	15.0	—	—
2,404	Jackson Group	95	−1	7.0	7.4	3.0	6.7
15,596	James Burrough	113	−1	8.7	7.7	8.2	10.4
2,570	Robert Jenkins	252	−1	31.3	12.4	3.5	8.9
1,680	Scruttons "A"	56	+1	5.3	9.5	8.5	8.0
4,052	Torday	166	−1	10.7	6.4	5.3	9.9
2,885	Twinlock Ord.	13½	+0½	—	—	—	—
2,075	Twinlock 15pc ULS	76	+1	15.0	19.7	—	—
4,120	Unilock Holdings	27	−2	3.0	11.1	4.6	8.2
9,506	Walter Alexander	75	—	6.4	8.5	4.9	8.7
5,088	W. S. Yeates	218	+2	13.1	6.0	4.1	8.4

Prices now available on Prestel page 48146.

INTERNATIONAL BONDS

Lower rates campaign finds U.S. ally

IT IS beginning to look as though the Eurobond market may have an ally within the Reagan Administration. His name is Donald Regan and last week he expressed his admiration for the way West German, Swiss, and British central banks "seem able to control their money supplies fairly well."

The U.S. Treasury Secretary then went on to pour scorn on the Federal Reserve and blamed it for high interest rates.

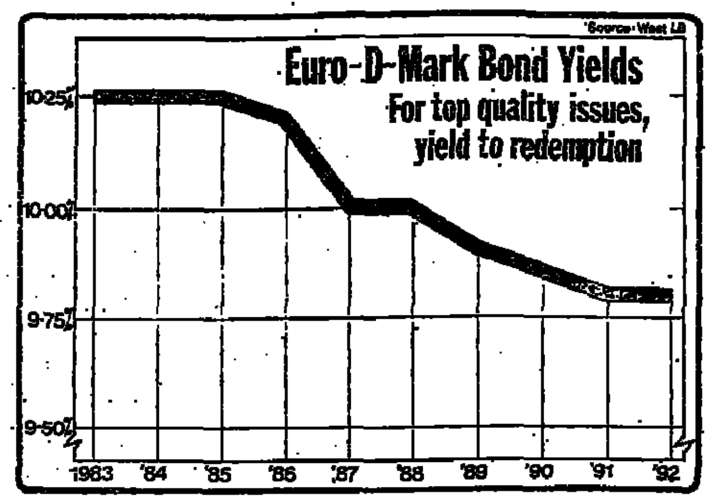
Meanwhile Europe's campaign for lower rates continues. On Friday Chancellor Schmidt reiterated his desire to see U.S. rates fall. The battle is not over.

Ahead of Friday's disappointing U.S. money supply figures, however, the New York and European bond markets were both busy lifting prices of fixed-rate paper. It was, in one dealer's opinion, "a fantasy land of optimism." Without any change in the fundamentals, the bond markets managed to gain a point in the Eurodollar and Euro D-Mark sectors.

Eurodollar six-month deposit rates ended the week at 15 per cent, a decline of nearly ½ point. Investors were said to be "coming out of the woodwork" and demand was moderate to heavy as the week ended.

The mini-rally was, however, at least partly a technical development as dealers covered short positions and prices were marked up in a purely professional manner. This, at least, seems to have been what was happening in the dollar sector.

A less artificial market was being made among new issue managers involved in the zero coupon bond business. The zero paper keeps coming and it is finding a home in Europe as well as the Far East. The General Electric offer in two tranches, went from $600m to $800m on Friday and the additional interest appeared to be coming from the Continent.



Not all of the Gaz de France zero coupon paper went to Japan either last week. This is a small, but well-received offer, the first zero coupon bond from a non-U.S. borrower.

The Euromarket has now seen $5bn (nominal value) of this type of paper in the past month—the actual funds being raised amount to $1.4bn. It is not merely the Japanese retail investor, enjoying a minimum of capital gains taxes, who is buying.

Europeans are also buying the paper for its attractive potential. Tax laws differ from country to country, but Eurobonds are, after all, bearer bonds. Without the steady stream of income supplied by interest-bearing bonds, these zero coupon issues will prove even more difficult than regular coupon bonds for European tax authorities to trace. This is no small incentive.

In the Euro D-Mark sector, meanwhile, life is becoming a little more pleasant. The German current account deficit is clearly improving and foreign investors are returning to the market. The ten-year yield curve (see chart) is still inverted, but new issues are requiring lower coupons than might have been thought likely a week ago.

Today sees the launch of a DM 150m 10-year offer for the Province of Quebec through Commerzbank. Unless the market deteriorates this morning, a coupon of 10¼ per cent should be feasible.

On the other side of the world, Japan's samurai bond market is offering coupons which lead borrowers to salivate. The recent Dow Chemical Y20bn ($90m) cost the borrower a mere 8.5 per cent over ten years; this compares with a U.S. rate 700 or 800 basis points higher.

Dow's issue, the second offer for a foreign corporation allowed in this market, attracted a healthy response. It was the first samurai bond ever to be co-lead managed by a non-Japanese security house, Smith Barney.

Smith Barney said on Friday it hoped to become involved with future samurai bond issues, but said the next one for NCR in April would again have a Japanese lead manager.

As Japanese corporate treasurers continue to flock to the Euromarket, two fresh issues are expected this week. Okumura, the engineering group, is believed to be raising $30m through a 15-year convertible bond with an indicated coupon of 5¾ per cent, while Honda Motor Company is reported to be interested in launching a $100m 15-year convertible with an indicated coupon in the 5½-5¾ per cent range.

Alan Friedman

U.S. FINANCIAL FUTURES

Eurodollar contract has a quiet start

FEW FINANCIAL futures instruments were as widely hailed as the new Eurodollar certificate of deposit contract which started trading on Chicago's International Monetary Market (IMM) last December. The contract gives institutions and individuals a means of hedging positions in the Eurodollar market or simply speculating on the course of interest rates there.

After nearly two months, however, trading volume remains small. Only a few hundred contracts are changing hands every day, compared with many thousands for better established financial futures. Some critics suggest the contract is in jeopardy as a trading instrument, but others maintain that trading patterns show signs of strength, and that most financial futures get off to a slow start because users need to be educated.

The contract is the first of several planned by futures exchanges, including the London International Financial Futures Exchange, so its fate is being closely watched. It provides for delivery in either March, June, September, or December of $1m in three-month Eurodeposits at a prime bank. The value of the contract is determined by the interest rate on such deposits.

The IMM is far from despondent. Officials maintain that while daily trading volume may be lacklustre, the level of "open interest" is encouraging. This is a measure of the net exposure that traders have taken (the number of contracts that have not been closed out by a position taken on the other side of the market).

The IMM does have a problem, however, in that it lies six hours to the west of London, the heart of the Eurodollar market. Although trading starts specially early at 7.30 am, the business overlaps is only two hours. Some people say this small window will put a constraint on trading. But bankers dis agree because Eurodollar trading is increasingly done on a worldwide basis and is less tied to a particular time zone.

David Lascelles

CREDITS

Hopes for revival rest on deals in the pipeline

VOLUME in the Eurocredit market slumped in January to its lowest level since last May. According to provisional figures from Morgan Guaranty Trust, only $5.1bn in new creditors were announced compared with $7.2bn in December and $8.8bn in January 1981.

Moreover the volume last month was boosted by two unusual credits, the $1.25bn financing for the Eraring Power Station in Australia, and a $1.7bn credit for Canada's Dome Petroleum, which was announced last November but added to Morgan's statistics only last month.

Subtracting these operations leaves a total which is miniscule even by comparison with last May's low of $4.9bn. Particularly striking is the fact that developing countries raised only $422m last month, compared with $2.3bn in December and $3.1bn in January last year.

Yet the reason for the market's present sluggishness is not hard to find. Spreads are shifting for a number of key borrowers, and as a result banks are becoming wary of taking on commitments that may prove hard to sell at the smaller participant end of the market.

It has thus become difficult to set a price on many deals and both banks and borrowers have been sitting back to reassess the climate.

This could, however, already be in the process of changing. While most bankers agree that January has been a particularly slack month, several add that a substantial number of deals are now in the pipeline, several of which could serve as benchmarks for sovereign borrowers at the start of 1982.

In Asia, for example, Korea Exim Bank is expected shortly to award a mandate for a $300m credit. Terms are also awaited on the major financing for India's Paradip steel project.

In Europe, the Bank of Greece is beginning to sound out banks for a credit expected to be in the region of $200m, while there have been strong rumours of a large deal for Denmark, although by last Friday no mandate had actually been awarded.

In Latin America the electric utility of Sao Paolo is sounding out the market through Morgan Guaranty for a $200m, eight-year credit with a margin of 2¼ per cent over London inter bank offered rate (Libor) or 1⅞ per cent over U.S. prime rate.

These terms look like becoming standard for the time being for Brazil, although its previous deal, $125m for the development bank BNDE which bears the same margins, is making rather slow progress as potential lenders claim loan limit problems are restricting their capacity to commit fresh funds.

Argentina's electric utility SEGBA is also seeking $200m in a deal which should clear the air after the controversial $400m credit for YPF which has just been completed. Argentina will resist any attempts to impose higher margins on its loans, arguing that YPF met a fairly good reception despite adverse comment in the market.

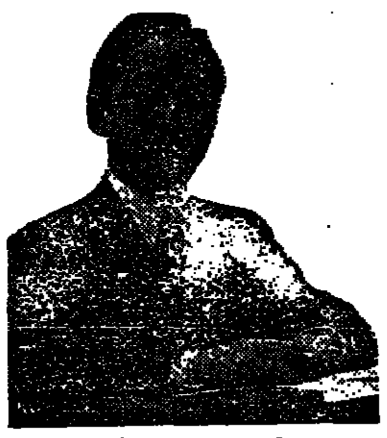
Amid confusion over the effectiveness of Italy's queueing system for Euromarket borrowers, the financing concern IRI is seeking $250m. Morgan Guaranty is sounding out the market for this deal which bears indicated margins in the region of ½-⅝ for eight years.

Peter Montagnon

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
Arizona Public Service‡	75	1989	7	16¼	100	CSFB	16.250
Nichimen**§‡	15	1977	15	5¾	100	Daiwa Secs., Sanwa Bnk.	5.750
Swed. Export Credit††‡	75	1987	5	5¼◊	100	Morgan Guaranty, Morgan Stanley	5.250◊
Japan Devpmnt. Bank‡	50	1987	5	15½	100	Paribas, Bnk. of Tokyo Intl.	15.500
Astra‡	100	1992	10	16¾	99½	Morgan Stanley	16.856
Bridgestone Tyre§	70	1996	14	*	100	Daiwa Secs., Merrill Lynch	*
Toray Inds.	50	1987	5	*	*	SG Warburg, Nomura Intl.	*
General Electric‡	400	1992	10	0	36.08	Morgan Stanley, Goldman Sachs	14.390
General Electric‡	400	1993	11	0	22.80	Morgan Stanley, Goldman Sachs	14.390
Caterpillar Tractor‡	140	1994	12	0	19.94	Goldman Sachs	14.380
Gaz de France‡	150	1992	10	0	25.82	CCF	14.500
RJ Reynolds‡	400	1992	10	0	25.50	Dillon Read	14.640
Baker Intnl.‡	225	1992	10	0	24.70	Goldman Sachs, Blyth Eastman Paine Webber Intl., SG Warburg	15.010
Sears Roebuck‡	400	1992	10	0	24.72	Dean Witter Reynolds, Daiwa Secs.	15.000
McDonnell Douglas	50	1989	7	*	*	Merrill Lynch	*
CANADIAN DOLLARS							
TransAlta Utilities‡	50	1989	7	17	100	Merrill Lynch	17.000
Consolidated-Bathurst‡	40	1987	5	17¼	100	Orion Royal	17.250
D-MARKS							
Pemex‡	150	1990	8	11	100	Commerzbank	11.000
Council of Europe‡	150	1992	8	10	99½	BHF Bank	10.090
SWISS FRANCS							
Spain‡	100	1992	—	8	100	CS	8.000
World Bank‡	100	1992	—	7¼	100	SBC	7.250
VEAS‡	40	1994	—	7⅛	99½	Soditic	7.157
Nippon Sheet Glass**§‡	40	1989	—	6	100	SBC	6.000
ECSC**‡	40	1987	—	7¼	100	UBS	7.250
Showa Musen**§‡	35	1987	—	5¾	100	UBS	5.750
Hiram Walker**‡	75	1987	—	7¼	100	CS	7.250
Belgium**	100	1987	—	*	*	Kredietbank, Morgan Grenfell	*
Mitsubishi Gas**	40	1988	—	*	*	UBS	*
Hydro Quebec‡	100	1992	—	6¾	99½	UBS	6.821
Japan Development Bank	100	1992	—	*	*	CS	*
EUAs							
Copenhagen‡	15	1992	6½	12¾	100	Kredietbank	12.750
YEN							
CITIC**‡	10bn	1994	10.32	8.7	100	Nomura Secs., Daiwa Secs., Bank of Tokyo	8.700
KUWAITI DINARS							
Enso-Gutzeit Oy	5	1989	5	*	*	KIC	*

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ◊ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase fund. ‖ Issue may also be sold on an FRN basis.
Note: Yields are calculated on AIBD basis.


Y. Miyake, managing director

U.S. BONDS

Anxiety unrelieved by small drop in money supply

It is impossible to ignore the fact that the U.S. money supply is fast becoming a problem that refuses to go away.

Last Friday's figures produced the much-awaited fall in M1, the most widely watched measure, but it was so small (a mere $600m compared to Wall Street's hopes for at least $3bn) that it did nothing to relieve the market's anxieties. Bond prices—which had shown surprising strength earlier in the week—were marked down sharply, and short-term interest rates tightened.

The figure not only means the problem is still there: it also sets a bad tone for this week, which was going to be difficult anyway. Tomorrow the Federal Reserve's policy-making Open Market Committee holds its regular annual meeting to set money supply growth targets for the year. But the session is bound to be overshadowed by the money supply bulge and what should be done about it.

Mr Paul Volcker, the Fed chairman, provided Wall Street with some cheer last week when he gave a possible technical explanation for what was going on and said a rise in the discount rate was not on the cards. And the Fed may still prefer to sweat it out and for one more week in the hope that a big fall will ease the problem next Friday. However, after the drubbing it received at the hands of the Administration on Wednesday, the Fed is under strong pressure to prove that it has lost neither the will nor the ability to influence money growth, and some moderate tightening in its stance cannot be ruled out.

In his weekly report, Mr Philip Braverman, Chase Manhattan Bank's money market economist, predicts that the Fed will tighten its preferred trading range for the Fed funds rate tomorrow.

The money bulge has also queered the pitch for the Treasury which is to carry out its first quarter refunding this week — an exercise that will dump a record $10bn in notes and bonds on the markets. The Treasury would undoubtedly have preferred to see some good money supply numbers on Friday to set a healthy market tone. As it is, the refunding will go through while there is still a whiff of crisis in the air.

The funding will comprise $5.7bn in new cash and $4.3bn to refinance maturing debt. It will consist of $5bn of three year notes, $2.5bn of ten year notes and $2.5bn of 30 year bonds, sold on three consecutive days starting tomorrow. Unless the market can tap new sources of strength, the Treasury will have to pay at or near record interest for much of this debt.

Surprises are always possible. The market has frequently rallied strongly in the run-up to previous Treasury refunding as traders decide it will not be so bad after all. Such sentiments may have underlaid last week's early strength in the bond market. This came despite President Reagan's State of the Union address, which offered no consolation to those who worried about the size of the Federal deficit.

The Treasury's total borrowing needs this quarter will be $41.25bn, exceeding the previous record $35bn set in the first quarter last year. Tentative indications for second quarter borrowing (which is always lower because of high tax receipts) is $10-15bn. All these figures are higher than Wall Street analysts predicted, suggesting that the Treasury finds itself more strapped for cash than they thought.

Given all the market disruptions, borrowing activity was subdued again last week, especially when compared to the scramble to sell discount bonds in the Euromarkets. Citicorp, the large New York banking group, is down to sell $200m of five year notes tomorrow. But with the Treasury refunding occupying the market, the calendar is expected to remain light.

David Lascelles

U.S. INTEREST RATES (%)

	Week to Jan 29	Week to Jan 22
Fed funds wkly. av.	14.17	13.57
3-month Treas. bills	12.28	13.38
3-month CD	13.88	13.95
30-year Treas. bonds	13.93	14.14
AAA Util.	16.38	16.63
AA Industrial	15.75	15.88

Source: Salomon Brothers (estimates).

Pentagon purchase ban hits National Semiconductor

BY LOUIS KEHOE IN SAN FRANCISCO

NATIONAL SEMICONDUCTOR, one of the largest U.S. producers of integrated circuits and a major supplier of electronic devices for military applications, has been struck off the list of suppliers approved by the U.S. Defence Department.

The Pentagon's action follows admissions by the company that it had taken short cuts in the rigorous reliability testing procedures required for military parts.

National revealed the shortcomings of its testing procedures after receiving a subpoena from a Federal Grand Jury in San Francisco which is investigating the certification and testing of military semiconductor components. Charges against the company could follow.

The Pentagon action comes at a particularly bad time for National, which is struggling to maintain profitability. Last month it reported profits of only $182,000 for the quarter ending December 13, a reduction of 90 per cent over the same period in 1980. National's semiconductor operations are making a loss; only its electronic cash register division has returned a profit for the past six months. National's stock closed 40 cents down at $19¾ on the New York Stock Exchange on Friday, although the news was not widely circulated.

The disqualification applies to a wide range of electronic devices, which U.S. military systems manufacturers will now not be able to purchase from National. The company will have to halt production of about 20 per cent of its military products. However, the disqualification could have a wider effect if military systems manufacturers were to place orders elsewhere.

National is estimated to sell some $78m worth of parts a year for military and aerospace applications.

The market for military devices is one of the few sectors of the semiconductor business that is riding above the economic recession and which is not subject to severe price erosion.

In issuing a "termination of certification" notice to National Semiconductor, the Defence Logistics Agency chose to reject assurances that the company had corrected its military parts testing procedures.

Problems associated with testing of military parts are endemic in the semiconductor industry. The testing regulations were set in the late 1960s and are widely considered inappropriate to today's technology, while tests required for military parts are expensive for manufacturers, some of whom claim they are too expensive to allow a fair profit margin. The system for checking on manufacturers is also less than perfect.

Massey to return to creditors

By Robert Gibbens in Montreal

FOLLOWING A slower than expected recovery in farm machinery demand in 1981, the troubled Massey Ferguson will soon seek "temporary relaxation" of some provisions of last year's $700m refinancing package with its banks and the Federal and Ontario governments.

Mr Vincent Laurenzo, the president, said after a special shareholders' meeting in Toronto, that Massey will need the banks' support for a major restructuring. "We're looking for operational help because we are taking actions which could have an adverse effect on our debt." Massey plans to cut its global workforce by 15 per cent more in 1982, but it cannot reduce its Canadian payroll below the current 6,100 under the terms of its 1981 financing agreement. It now says it will seek amendments to its credit arrangements, including the financial covenants required by the lenders. Talks have already begun.

EFIM deficit to reach L280bn

BY JAMES BUXTON IN ROME

EFIM, the smallest of the three Italian state holding companies, expects to record a loss of about L280bn ($229m) for 1981, almost all of it due to the poor financial performance of the aluminium sector.

The other interests of EFIM, which include the manufacture of the Agusta helicopter and other defence industry activities, appear to have done reasonably well. But the aluminium sector lost last year L250bn. Of this some L150bn was due to the burden of interest charges as a result of the group's under-capitalisation.

It was also the consequence, according to Sig Corrado Fiaccavento, EFIM's chairman, of the government's failure to implement a commitment to lower the cost of energy supplies to the group's aluminium smelters.

Overall the financial problems of EFIM were attributable to the failure of governments to pay up funds to increase its capital, Sig Fiaccavento said. He was appearing before a Senate Committee meeting to consider the granting of L1,200bn in fresh funds to EFIM over the 1981-1983 period.

The expected deficit for 1981 compares with a loss of about L40bn in 1980 on turnover of about L2,500bn. That loss was also largely attributable to debt servicing.

Shareholders of Alluminio Ital, one of EFIM's operating companies in the aluminium sector, voted to write the company's capital down to the legal minimum of L200m. Last October it was reduced from L30bn to L35bn, and earlier this month from L35bn to L11bn. The measures were taken to cover part of the company's heavy losses.

Next month the Italian Government is to consider a plan for the revival of the aluminium industry.

New board for Simplicity Pattern

● Mr Graham Ferguson Lacey has been appointed chairman and chief executive of SIMPLICITY PATTERN CO. INC., New York. Mr Alan Dodd has been appointed senior executive vice president and treasurer of the company.

Also elected to the board were Mr Enrique Foster Gittes, Mr Edward W. Cook, Mr R. Cecil McBride and Dr Paul N. Temple (all directors of NCC Energy), Mr Alan Bond (chairman of Bond Corporation Holdings, Australia), Mr John Sands (president of West River Co. — financial advisers), Mr Robert S. Johnson (managing director of Shearson American Express Inc.), together with Ms Lilyan Affinito and Mr Harold Cooper who were both previously members of Simplicity's board.

● STANDARD PRODUCTS CO., Cleveland, has appointed Mr James S. Reid Jr. as chairman. He was president and chief executive officer. He replaces Mr James S. Reid, founder and chairman, who died last November.

● At the LOUISIANA LAND AND EXPLORATION COMPANY, New Orleans, vice chairman and director Mr E. J. Langhetee, Jr. is to retire later this year to pursue personal interests. He is also to retire as chairman of Louisiana Land Offshore Exploration.

● MIDREX CORPORATION, Charlotte, North Carolina, has promoted Mr John E. Bonestell to executive vice president—commercial and appointed Mr Berat Rollinger as executive vice president—technical. Mr. Bonestell, a Midrex employee since 1967, served most recently as vice president, contracts, engineering and operations. Mr Rollinger joins Midrex from Korf Stahl, where he held numerous positions, including managing director of NORDFERRO. Midrex is a member of the Korf Group.

● THE LIBERIAN SHIPOWNERS' COUNCIL, New York, has elected Mr R. Stanley Symon as chairman and Mr Frank S. B. Chao as vice chairman. Mr Symon, senior vice president of Stolt-Nielsen Inc., Connecticut, has been vice chairman of the LSC since January 1981 and a member of the board since 1979. Mr Chao, president of Wah Kwong and Co. (UK) and director of Wah Kwong Shipping and Investment Co. (UK), Hong Kong, has been a member of the board since 1978. Mr Symon's term of office is two years; Mr Chao will serve a one-year term.

INTERNATIONAL APPOINTMENTS

● NORTHROP CORP., Los Angeles, has named Mr Frank W. Lynch as president and chief operating officer from March 1. He is currently senior vice president and group executive for the tactical and electronic systems group, and will succeed Mr Thomas O. Paine, who will retire. Mr Lynch also was elected to the board.

● Mr. William O. Bourke has been elected to the board of REYNOLDS METALS, Richmond, Va.

● ENGELHARD CORPORATION has named Mr Nelson B. Colton president and chief operating officer of its Engelhard Industries Division, and senior vice president of Engelhard Corporation and a member of its board.

● The supervisory board of VOLKSWAGENWERK, Germany, has appointed Dr Rolf Selowsky as a member of the board of management responsible for finance and business administration. He will take up his appointment in Wolfsburg on May 5. Dr Selowsky comes to Volkswagen from Kloeckner-Humboldt-Deutz where he has been a board member responsible for finance and accounting since 1967.

● Mr Maxime Sadowsky has been appointed general manager and vice president of SECURITY PACIFIC INTERNATIONAL LEASING (EUROPE) in France where the company has both a branch and credit-bail subsidiary. He was previously general manager of COGESAT, the leasing subsidiary of Deutsche Anlagen Leasing.

● Mr O'Donnell S. Redfern has been elected president of NORTH SOUTH RESOURCES. He was previously executive vice-president of the company and succeeds Mr Adolf Lundin who becomes chairman. The company is engaged in oil and gas exploration in Turkey and the Gulf of Suez, and is listed on the Vancouver Stock Exchange.

● Mr John N. Carmont has been elected vice-president and treasurer of EATON CORPORATION, Cleveland, Ohio. Before transferring to the U.S. in 1977, Mr Carmont was European financial director, based at Hounslow, Middlesex.

● Dr Heinz Haemmerli, vice-chairman of the group management committee of leading Swiss watch concern ASUAG, is to resign this spring. The Asuag board is to decide on a successor for Dr Haemmerli, who is responsible for group finances and the watch components division, in March.

● Mr Peter S. Maher has been elected vice chairman of the board of STATE STREET BOSTON CORP. and its wholly-owned and principal subsidiary, The State Street Bank and Trust Company. He will have responsibility for world-wide banking activities, including offices in New York, San Francisco, London, Singapore and Hong Kong. Mr Maher joined the State Street organisation in 1969 and was senior representative of the bank in London in 1975.

● Mr Reinhard Boeckli, Mr Alessandro Cedraschi, Mr Leo Lardan and Mr Friedrich Nussbaumer have been appointed managers of BANK JULIUS BAER AND CO., Zurich.

● THE ROYAL BANK OF SCOTLAND has appointed Mr J. L. Stewart as senior representative at its Chicago office from February 1. He succeeds as chairman of UNIROYAL from Mr Brian G. Hale who will be returning to the UK.

● Mr David Beretta is retiring February 28, but will remain a director. President and chief executive officer Mr Joseph P. Flannery will assume the additional post of chairman on March 1.

● ALCAN ALUMINIUM, Montreal, has appointed Mr A. F. Black as vice president, South Pacific, from June 28, based in Sydney, Australia. Mr Black, who was previously vice president, Latin America, succeeds Mr John B. Clarkson, who has been associated with Alcan's affairs in Australia since 1960, and who will retire to become non-executive chairman of Alcan Australia from June 28. Mr Black joined Alcan in the UK as financial director of Alcan Aluminium (UK) in 1973 and moved to Latin America in 1976.

● POLAROID CORPORATION, Cambridge, Mass., has appointed Mr I. M. Booth as chief operating officer.

● Dr David Syz is to succeed Dr Hugo Dechlin on April 1 as management chairman of the Swiss-based fire-fighting system company CERBERUS, Maennedorf. Dr Syz will remain management chairman of Staefa Control System, Staefa, which, like Cerberus, is a member of the Elektrowatt group.

● Mr Paul Heldman has been appointed general manager of SHANNON SYSTEMS, the North American office products subsidiary of the Twinlock Group based in Toronto.

● PITNEY BOWES INC has elected Mr James B. Bast as president and chief executive officer of its Dictaphone Corporation subsidiary, succeeding Mr Hobart C. Kreitler, who has resigned.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Anheuser-Busch 16½ 88	100	102⅜	102⅞	+0⅝	+0⅛	15.79
APS Fin. Co. 17¼ 86	60	103½	104	+0½	0	15.98
Armco O/S Fin. 15⅞ 86	50	99⅝	99⅝	+0⅛	0	15.52
Bank Montreal 16½ 91	150	100⅜	100⅝	+0⅛	+0⅛	16.14
Br. Colum. Hyd. 16⅜ 88	100	101¼	101¾	+0½	+0¼	15.82
Br. Colum. Mfa. 17 97	54	103½	104	+0⅜	+0⅛	16.28
Can. Nat. Rail 14⅛ 91	100	93⅛	93⅞	+0½	+0¾	15.92
Caterpillar Fin. 16½ 86	100	101¾	102¼	+0½	+0⅛	15.80
CFMP 16¼ 96	100	102½	103	+0¾	+0¼	16.21
CIBC 16¾ 91	100	101⅝	102⅛	+0⅝	+0⅞	16.30
Citicorp O/S 16¾ 86	150	103¼	103¾	+0¼	+0⅛	15.57
Cities Service 17 88	150	103⅛	103⅝	+0⅛	−1⅛	15.06
Cons.-Bathurst 17½ 88	60	103⅞	104⅜	+0½	+0⅜	16.39
CPC Fin. 16¾ 86	50	102⅞	103⅜	+0⅝	−1⅝	15.66
Dupont O/S 14½ 88	400	97⅜	97⅞	+0¼	+0⅝	15.05
EIB 16½ 88	100	100⅞	101⅜	+0⅝	+0½	16.14
EIB 16¾ 91	100	101	101½	+0½	+0¼	16.44
GMAC O/S Fin. 16½ 84	300	101⅛	101⅝	+0⅛	+0⅝	15.68
Gulf States O/S 17½ 88	60	104⅝	105⅛	+0⅜	+1⅛	16.18
Japan Airlines 15¾ 88	50	99⅞	100⅜	+0⅝	+1⅛	15.16
Nat. Bk. Canada 16½ 88	40	100½	101	0	+0¼	16.95
Nat. West. 14¾ 91	100	96	96½	+0¼	+0¼	15.49
New Brunswick 17 88	60	104⅝	105⅛	+0⅞	+0⅝	15.70
Newfoundland 17¼ 89	60	106½	107	+0¾	+0⅝	15.62
New & Lab. Hy. 17¼ 89	75	104	104½	+0⅜	+0½	16.20
Ohio Edison Fin. 17½ 88	75	103⅛	103⅜	+0¼	+0⅛	16.53
OKG 15¾ 97	50	97½	98	+0½	0	16.12
Ontario Hyd. 16 91 (N)	200	100⅝	101⅛	+0¾	+0⅞	15.78
Pac. Gas & El. 15¾ 89	80	99⅜	99⅞	+0½	−1¼	15.83
Quebec Hydro 17¼ 91	150	104	104½	+0⅞	+0⅞	16.29
Quebec Province 15¾ 89	150	96½	97	+0½	+0⅛	15.98
Saskatchewan 16¼ 88	100	101⅛	101⅝	+0⅜	+0⅝	15.86
Statsforetag 15¾ 87	50	98⅝	99⅛	+0⅝	+0⅛	16.08
Sweden 14½ 88	150	92⅞	93⅜	+0½	+0⅛	16.20
Swed. Ex. Cred. 16½ 93	75	101½	102	+0⅛	+0⅛	16.12
Tenneco Int. 17 89	100	104⅛	104⅝	+0⅝	+0½	15.91
Texas Eastern 15⅞ 88	75	99⅛	99⅝	+0¼	−0⅛	16.00
Transcanada 17¾ 88	75	106⅛	106⅝	+0⅜	+0½	16.01
Transcanada 16 89	100	99½	100	0	−0⅛	16.02
Walt Disney 15¾ 86	100	101⅝	102⅛	+0⅞	+1	15.07
Winnipeg 17 86	50	103⅛	103⅝	+0⅜	+0⅜	15.85
WMC Fin. 15½ 88	50	97	97½	+0⅜	+0⅝	16.16
World Bank 16 88	80	100⅛	100⅝	+0⅝	+0⅝	15.84
World Bank 16½ 86	130	102¼	102¾	+0⅜	+0¼	15.62
World Bank 16½ 88	100	101⅝	102⅛	+0⅞	+1⅛	15.96

Average price changes... On day +0⅝ on week +0½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	99⅝	100⅛	+0½	+0¼	9.99
Asian Dv. Bank 10¾ 89	100	101⅞	102⅜	0	+0¼	10.29
Australia 9⅜ 91	300	99⅜	99⅞	+0⅛	+0⅜	9.43
Belgelectric 11 91	100	101½	102¼	+0⅛	+0⅛	10.66
CECA 10 91	120	100⅞	101⅜	0	−0½	9.78
Coun. of Europe 10 91	100	100⅞	101⅜	+0¼	+1⅛	9.77
Coun. of Europe 10⅝ 91	100	100⅝	101⅛	+0⅛	−0¼	10.07
EEC 10⅛ 93	100	100⅝	101⅛	+0⅜	+0⅝	9.98
EIB 8½ 90	200	92⅞	93⅜	+0½	+1¼	9.67
EIB 10½ 91	200	102½	103¼	+0⅝	+0⅝	9.99
Finland, Rep. of 10½ 86	100	100⅞	101⅜	+0¼	+0½	10.18
Inter-American 10 91	100	99⅞	100⅜	−0⅛	0	9.95
Inter-American 10¼ 91	100	100¾	101½	+0⅜	+0½	10.05
Ireland 10⅛ 86	100	100	100½	+0¼	+0½	10.04
Japan Air Lines 8¼ 87	100	95⅞	96⅜	+0¼	+0¼	8.97
Midland Int. Fin. 8½ 90	180	93⅜	94⅜	+0¼	+0⅛	9.53
Mt. Bk. Dnmk. 10½ 91	100	99⅞	100⅜	0	−0⅛	10.46
New Zealand 9¾ 89	200	100⅛	101	+0¼	+0⅝	9.62
OKB 10⅛ 91	150	100⅝	101⅛	+0⅝	+0⅛	9.97
Quebec Hydro 10¼ 91	150	102⅜	102⅞	+0⅛	+0⅜	9.83
Renault Acpt. 10¾ 86	150	100⅜	100⅞	+0⅛	+0⅛	10.63
Swed. Ex. Cred. 10¼ 91	100	99⅞	100⅜	+0⅛	+0⅛	10.26
World Bank 10 91	250	100¼	100¾	−0⅛	0	9.91

Average price changes... On day +0⅛ on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91	60	94⅜	94⅞	−0⅛	−0¼	7.37
Asian Dev. Bank 8 90	80	101½	102	+0½	+0¼	7.69
BFCE 6½ 91	100	†94¼	94¾	0	−0⅝	7.35
Belgelectric Fin. 7¾ 91	100	101⅜	101⅞	+0⅜	0	7.48
Bell Canada 7¼ 93	100	105	105¼	+0¼	−0½	6.61
Bergen, City of 6¾ 91	40	100	100¼	−0⅛	−0⅝	6.73
Bat. de Autopistas 8 90	50	100	100¼	0	−0½	7.97
CECA 6¾ 91	80	99⅞	100⅛	+0⅛	0	6.74
Dome Petroleum 5¾ 91	100	93	93¼	+0½	−1	6.79
Dome Petroleum 7¼ 90	100	103½	103¾	+0⅛	0	6.67
Franc. Petroles 6½ 91	80	96¾	97	+0⅜	+0¼	6.97
Genstar 7 91	100	102	102¼	+0¼	+0⅝	6.68
Int. Amer. Dv. Bk. 7 91	100	99	99¼	+0½	−0⅝	7.19
I/S Elsam 8½ 91	60	104½	104¾	0	−0½	7.79
Japan Air Lines 7⅛ 91	100	104	104¼	+0⅛	0	6.68
Neder. Gasunie 8 91	100	106½	106¾	−0¼	+0⅛	7.03
OKB 7 93	100	99	99¼	−0¾	−0¼	7.11
OKB 7⅛ 91	100	101	101¼	0	0	7.08
Oslo, City of 8 91	100	105⅛	105⅜	+0¼	−0½	7.23
Saint Etienne 8½ 91	20	104¾	105	0	−0¼	7.77
Swed. Ex. Credit 7¼ 91	75	97	97¼	−0⅛	−0⅛	7.69
TNT O/S Fin. 8 91	50	104⅝	104⅞	0	−0⅛	7.30
Unilever NV 7½ 93	100	105½	105¾	+0¼	+0⅛	6.79
World Bank 6 91	100	†92½	93	0	0	7.11
World Bank 7 90	100	100	100¼	0	+0½	6.97
World Bank 8 91	100	103½	103¾	+0⅛	−1⅛	7.46

Average price changes... On day +0⅛ on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8¾ 91	15	98⅝	99⅛	0	−0⅞	8.38
Australia 6½ 86	20	91½	92½	−0⅛	−0⅛	8.36
EIB 7¼ 89	12	98⅛	99⅛	0	−0½	7.98
Finland, Rep. of 8⅛ 87	15	98¾	99¾	−0⅜	−1⅛	8.54
Int.-Amer. Dev. 8⅞ 91	15	101¾	102¾	−0⅜	−0¼	8.52
New Zealand 8⅛ 87	15	100⅛	101⅛	+0⅜	0	8.21

Average price changes... On day −0⅛ on week −0⅜

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Can. Utilities 17 96 C$	50	†97¾	98¼	−0⅛	0	17.36
Federal Dev. 17¼ 86 C$	40	†102½	103½	0	0	16.71
GMAC (Can.) 18 87 C$	60	†105⅝	106⅝	0	+0¼	16.15
Pancanadian 16½ 88 C$	65	†98¾	99¾	0	+0¼	16.85
Queb. Urban 16⅝ 86 C$	20	†100	101	0	−0¼	16.55
Roynat 17¼ 86 C$	40	†101	101½	−0⅜	−0¼	16.81
Tordom Cpn. 13½ 85 C$	30	†93½	94½	0	0	15.89
M. Bk. Dnmk. 9 91 EUA	25	84	85½	0	+0½	11.88
SOFTE 8¾ 89 EUA	40	78	79¼	0	−0¼	12.98
U. Bk. Nwy. 9½ 90 EUA	18	91½	92¾	0	0	11.01
Algemene Bk. 10¼ 86 Fl	60	98	98½	+0⅛	+0⅛	10.79
Amfas Group 12¼ 86 Fl	40	102¾	103¼	−0⅛	0	11.37
Amro Bank 12 86 Fl	75	101¼	101¾	+0⅛	0	11.50
Amro Bank 12 86 Fl	60	101½	102	+0⅛	+0¼	11.47
Heineken NV 10 87 Fl	100	96½	97	−0⅛	−0⅛	10.79
Pierson 10¼ 86 Fl	50	97	97½	−0⅛	−0⅛	11.11
Rabobank 12 86 Fl	50	101	101½	−0⅛	−0½	11.57
Air France 14½ 86 FFr	200	93⅜	94⅜	+0⅛	+0⅛	16.57
Bk. America 14½ 86 FFr	250	92⅝	93⅝	0	0	16.91
Charb'nages 13⅞ 85 FFr	400	93⅜	94⅜	+0⅛	+0⅛	16.17
EIB 14⅞ 88 FFr	300	89⅝	90⅝	0	0	16.84
La Redoute 14⅛ 85 FFr	125	91	92	0	−0¼	17.52
OKB 14 86 FFr	400	92¾	93¾	+0⅛	+0¼	16.40
Solvay et C. 14¾ 86 FFr	200	92½	93½	0	+0¼	17.21
Swed. E. Cr. 14⅝ 86 FFr	250	92	93	−0¼	+0½	17.22
U. Mex. Sts. 14 85 FFr	150	91¼	92¼	0	+0⅛	17.35
Acona 14 85 £	20	91	92	+0½	+0⅛	17.15
Beneficial 14¼ 90 £	20	85⅛	86⅛	+1	+1⅛	17.53
BNP 13½ 91 £	15	84⅞	85⅞	+0⅛	+0⅞	16.76
CECA 13½ 88 £	20	89¾	90¾	+0⅛	+0⅛	15.98
Citicorp O/S 13½ 90 £	50	89¼	90¼	+0⅛	+1⅛	15.72
Fin. Ex. Cred. 13¾ 86 £	15	90¼	91¼	+0⅛	+0½	16.78
Gen. Elec. Co. 12¼ 89 £	50	86	87	+0¼	+0⅛	15.76
Hiram Walker 14¼ 86 £	25	93⅞	94⅞	0	+0⅞	16.18
Privatbanken 14½ 88 £	12	90½	91½	+0½	+2¼	16.86
J. Rothschild 14¼ 90 £	12	93⅜	94⅜	+0⅜	+1	15.64
Royal Trustco 14 86 £	12	93⅛	94⅛	0	+0⅝	16.13
Swed. Ex. Cr. 13¾ 86 £	20	91⅞	92⅞	+0¼	+1⅛	16.39
Akzo 9⅜ 87 LuxFr	500	85⅜	86⅛	0	+0⅛	12.85
Euratom 9¾ 88 LuxFr	500	86⅞	87⅞	0	0	12.91
Eurofima 10½ 87 LuxFr	500	92½	93½	0	0	12.34
EIB 9¾ 88 LuxFr	600	88¼	89¼	0	+0⅛	12.63
Volvo 9¾ 87 LuxFr	500	86	87	0	0	13.16

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5¼ 90	0¼	99⅜	99⅞	16/6	14⅞	14.30
Bank of Montreal 5¼ 91	0⅛	99½	100	29/4	17.06	17.11
Bank of Tokyo 5¼ 91	0¼	98⅜	98⅞	10/6	13¼	13.43
Bk. Nova Scotia 5¼ 93	0¼	99¾	100¼	29/4	17.06	17.06
BBL Int. 5 86	0¼	98¼	98¾	20/8	13½	13.57
BFCE 5¼ 88	0¼	99⅝	100⅛	26/4	16.94	16.94
Christiania Bk. 5½ 91	‡0¼	99	99½	5/2	15.56	15.68
Co-Ban Eurofin 5½ 91	0¼	99⅜	99⅞	14/4	16.69	16.86
Den Norske Cred. 5½ 93	0¼	97½	98	4/6	13.56	13.87
Genfinance 5¼ 92	0¼	99⅝	100⅛	30/6	15½	15.52
Giro und Bank 5¼ 91	‡0¼	99⅜	99⅞	23/3	14.06	14.15
GZB 5¼ 92	‡0¼	99	99½	5/3	13⅛	13.22
Ind. Bank Japan 5¼ 88	0¼	98⅜	98⅞	9/5	13.31	13.50
Lloyds Eurofin 5¼ 93	§0¼	99¾	100¼	29/4	17.13	17.13
LTCB Japan 5½ 89	0¼	99⅜	99⅞	16/7	15.31	15.37
Midland Int. Fin. 9 91	0¼	99¾	100¼	30/4	17.06	17.06
Nacional Fin. 5½ 88	0¼	97⅞	98⅜	25/3	17.31	17.67
Nat. Bk. Canada 5¼ 88	0¼	99¾	100¼	24/3	17.31	17.31
Nat. West. Fin. 5¼ 91	§0¼	99⅜	99⅞	15/7	15.19	15.28
Nat. West. Fin. 5¼ 92	§0¼	99½	100	23/4	17	17.04
Nordic Int. Fin. 5½ 91	0¼	†98⅞	99⅜	6/5	16⅝	16.76
Offshore Mining 5¼ 91	0¼	98⅜	98⅞	2/6	18	18.16
Pemex 6 91	0¼	97⅞	98⅜	8/4	17	17.37
PKbanken 5 91	0¼	99	99½	17/6	14⅞	14.48
Sanwa Int. Fin. 5¼ 88	0¼	†99½	100	24/3	17⅛	17.29
Scotland Int. 5¼ 92	0⅛	98⅜	98⅞	23/3	13.94	14.15
Sec. Pacific 5¼ 91	0⅛	98½	99	24/5	13⅛	13.42
Societe Generale 5¼ 91	0⅛	99⅜	99⅞	22/7	15¼	15.31
Sparebanken 6 87	0¼	99¼	99¾	21/5	14.44	14.51
Standard Chart. 5¼ 91	0⅛	98⅛	98⅝	18/5	12.31	13.53
Sumitomo Fin. 5½ 88	0⅛	99	99½	6/2	19.56	19.71

Average price changes... On day +0⅛ on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¼ 96	7/81	933	99⅜	100⅜	+1⅛	2.29
Bow Valley Inv. 8 95	4/81	23.12	98½	99½	+2½	28.17
Canon 6¾ 95	1/81	829	113¾	115¼	+3	2.95
Daiwa Secs. 5½ 96	12/81	513.3	178	80	+1½	−1.72
Fujitsu Fanuc 4½ 96	10/81	6770	112½	114	+1¼	3.01
Furukawa Elec. 5¼ 96	7/81	300	126	127½	+0⅛	−3.78
Hanson O/S Fin. 9½ 96	8/81	2.74	†86	87	0	38.56
Hitachi Cred. Cpn. 5 96	7/81	1773	89⅛	91½	+1⅛	7.55
Inchcape 8 95	2/81	4.55	†85	86½	+3¼	15.83
Kawasaki 5¼ 96	9/81	229	80	81½	+1¼	3.62
Marui 6 96	7/81	931	104½	106	+0½	7.03
Matsushita El. 7½ 95	11/80	690	92	93½	+0½	3.08
Minolta Camera 5 96	10/81	909	73	74½	+1	5.84
Murata 5¼ 96	7/81	2190	78	79½	+0⅛	26.68
NKK 6½ 96	7/81	188	97⅛	98⅝	+1⅛	4.39
Nippon Chemi-C. 5 91	10/81	919	77¼	78¾	+0⅛	−3.43
Ricoh 6¾ 95	8/80	604	113	115	+2	3.84
Sanyo Electric 5 96	10/81	652	80½	82	+2	4.85
Sumitomo Met. 5¾ 96	10/81	305	81½	83	+1½	1.34
Swiss Bk. Con. 6¾ 90	9/80	191	†73	75	+1	17.87
Taylor Woodrow 8¾ 90	1/81	4.94	†89	90	+3	−1.06
Transco Int. 8¾ 95	8/81	88	†71	72½	0	24.37
Tricorp 8½ 95	2/81	31.25	†62	63½	0	38.83
Union Bk. Switz. 5 89	2/80	70.79	*†78	80	0	2.56
Konishiroku 6 90 DM	2/82	885	102⅝	103⅞	−0⅞	−2.96
Mitsubishi H. 6 89 DM	2/82	263	101¾	102¾	+0⅞	1.48

EUROBOND TURNOVER
(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	2,804.5	4,862.8
Previous week	2,973.4	4,035.8
Other bonds		
Last week	732.2	449.9
Previous week	793.4	618.0

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Credit Commercial de France (Securities) London; Citicorp International Bank; Daiwa Europe NV; Deltec Securities (UK); EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Manufacturers Hanover; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Royal Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on January 29

Companies and Markets

WORLD STOCK MARKETS

HONG KONG

1981/82 High	Low	Jan. 29	Price H.K. $
38.75	18.5	Cheung Kong	21.1
3.55	2.00	Cosmos Prop.	2
11.7	7.90	Cross Harbour	11.5
176	99.5	Hang Seng Bank	139
8.75	4.20	HK Electric	5.65
10.80	5.00	HK Kowloon Wh.	5.4
14.8	7.6	HK Land	9.35
20.1	12.2	HK Shanghai BK.	15.1
31.25	16.8	HK Telephone	30.5
25.5	13	Hutchison Wpa	18
27.70	12.3	Jardine Math.	19.5
7.30	4.05	New World Dev.	4.87
7.60	4.15	O'seas Trust Bk.	5.9
21.60	7.2	SKH Props.	8.45
20.5	9.7	Swire Pac A	11.3
9.10	4.95	Wheel'k Mard A.	6.75
6.0	4.10	Wheel'k Marit'e	5.20
5.40	2.00	World Int. Hldgs.	2.72

BRAZIL

1981/82 High	Low	Jan. 29	Price Cruz
9.90	2.12	Petrobras PP	8.41
1.90	1.06	Pirelli OP	1.90
9.95	2.05	Souza Cruz	7.80
7.50	4.65	Unip PE	7.00
13.45	4.50	Vale Rio Doce	10.00

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

£3.4 million cancer grant

The Cancer Research Campaign has awarded grants totalling £3.39m for 1982 to 15 centres in Britain.

The grants are in support of 132 research projects in the Universities of Birmingham, Bristol, Cambridge, Nottingham and Oxford; the Strangeways Research Laboratory, Cambridge, and nine London University medical schools.

Cambrian Way plan dropped

THE COUNTRYSIDE Commission will not proceed with the designation of the Cambrian Way long distance path. The 271-mile path, from Cardiff to Conwy, would have been one of the longest and toughest in Wales or England.

FT Monthly Survey of Business Opinion

GENERAL OUTLOOK

Confidence recovers a little

INDUSTRY'S CONFIDENCE about the outlook improved last month, after a mild setback at Christmas.

General confidence is substantially better than at the two low points of last year—January and July—and well above what it was during the whole of 1980.

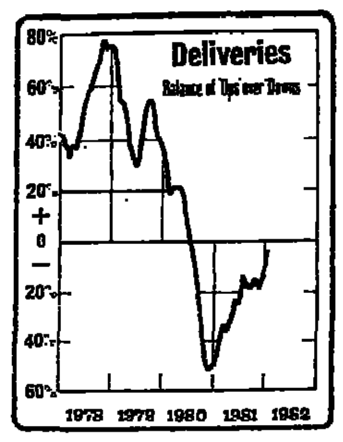
Of the three sectors surveyed this month—electrical engineering, consumer durables and consumer services—the most optimism was reported in electrical engineering, where companies saw the prospect of improved markets and expressed confidence in their products.

None of those surveyed in electrical engineering, or in the consumer durables sector, reported less optimism about business prospects than was felt four months ago.

Against this, there was much less confidence in consumer services, where a small majority of those interviewed said they were less optimistic.

Of those expressing less optimism there was a feeling, among stores particularly, that the economy was still very depressed. The recent bad weather had added to the gloom.

In the electrical sector it was reported that companies felt they had to work harder than before to keep their products updated.



GENERAL BUSINESS SITUATION

Are you more or less optimistic about your company's prospects than you were four months ago?	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	July-Oct. %	Elect. Eng'g. %	Motor & C'sumer Durables %	Stores & C'sumer Services %
	4 monthly moving total				January 1982		
More optimistic	34	30	28	21	58	36	17
Neutral	44	48	54	58	42	64	33
Less optimistic	22	22	19	22	0	0	51

EXPORT PROSPECT (Weighted by exports)

Over the next 12 months exports will be:	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	July-Oct. %	Elect. Eng'g. %	Motor & C'sumer Durables %	Stores & C'sumer Services %
	4 monthly moving total				January 1982		
Higher	72	63	62	66	71	100	64
Same	14	24	23	21	29	0	28
Lower	11	12	13	11	0	0	8
No answer	2	2	2	2	0	0	0

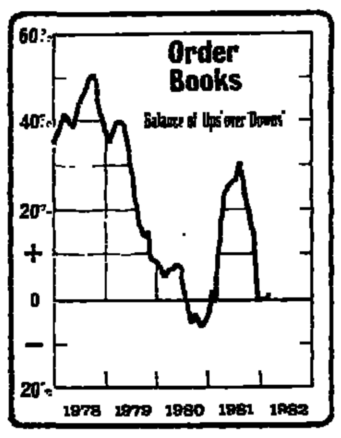
ORDERS AND OUTPUT

Qualified optimism

THERE HAS been a slight improvement in new orders and some companies expect greater output and hope for better sales in the next 12 months. There is, however, uncertainty about whether order books can be expected to show sustained improvement.

More companies said orders had risen than said they had fallen and all three sectors showed, on balance, an increase in orders in the last four months compared with the corresponding period last year.

Two areas where sales are markedly down are cigarettes and newspapers, the last due to price increases.



The engineering sector has become more pessimistic about the prospects for orders books than it was four months ago. This gloom was matched by greater optimism about orders from the durables sector.

All three sectors were more optimistic about turnover and sales than they were in September but companies emphasised that they were excluding the effects of closures and disposals in their comparisons.

Electrical engineering is the most optimistic sector by far, with about a third of companies expecting a increase in production and sales turnover of more than 10 per cent in the next 12 months.

NEW ORDERS

The trend of new orders in the past four months was:	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	July-Oct. %	Elect. Eng'g. %	Motor & C'sumer Durables %	Stores & C'sumer Services %
	4 monthly moving total				January 1982		
Up	26	16	15	24	78	100	46
Same	37	38	41	41	10	0	21
Down	20	27	24	23	12	0	0
No answer	17	19	20	11	0	0	33

EXPORT PROSPECTS

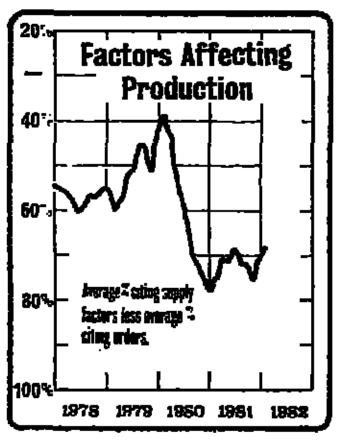
Over the next 12 months exports will be:	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	July-Oct. %	Elect. Eng'g. %	Motor & C'sumer Durables %	Stores & C'sumer Services %
	4 monthly moving total				January 1982		
Higher	50	49	45	45	78	87	29
Same	26	29	35	30	22	0	25
Lower	17	16	13	11	0	0	4
No answer	8	6	7	13	0	13	42

CAPACITY AND STOCKS

Destocking near an end

DESTOCKING HAS continued but most companies thought it was nearing its end. They were more inclined to expect stocks to increase in the next 12 months, although perhaps not until near the end of the period. Most companies thought current stock levels were about right.

Fewer companies report that they are still working below planned output levels and the index for capacity working passed the peak achieved last July. The figures probably would have been even better but for the bad weather. More companies feel able to plan ahead for more than three months with a reasonable degree of confidence.



For the second consecutive month the extent to which production is affected by demand rather than supply factors has moved in the supply direction—mainly because of the lack of reports about shortages of home orders.

Some companies are starting to have difficulty in recruiting suitably-qualified staff and labour disputes in the newspaper industry have again been cited as a problem by newsagents in the stores and consumer services sector.

Although there are no serious shortages in supplies, delivery delays and the possibility of suppliers closing down were said to be affecting production.

STOCKS

	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	July-Oct. %	Elect. Eng'g. %	Motor & C'sumer Durables %	Stores & C'sumer Services %
	4 monthly moving total				January 1982		
Raw materials and components over the next 12 months will:							
Increase	31	23	25	27	58	64	34
Remain the same	44	54	51	55	10	29	50
Decrease	21	20	21	14	32	7	8
No answer	4	3	3	4	0	0	8
Manufactured goods over the next 12 months will:							
Increase	18	14	17	26	34	28	34
Remain the same	44	50	50	41	30	29	42
Decrease	21	21	19	16	0	14	16
No answer	5	4	7	5	0	0	8
Not applicable	12	10	8	12	36	29	0

FACTORS CURRENTLY AFFECTING PRODUCTION

Are any of the following factors limiting your output at present?	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	July-Oct. %	Elect. Eng'g. %	Motor & C'sumer Durables %	Stores & C'sumer Services %
	4 monthly moving total				January 1982		
Home orders	89	92	94	91	80	100	79
Export orders	55	55	63	62	80	59	17
Executive staff	2	1	2	1	0	0	4
Skilled factory staff	2	4	3	3	0	29	0
Components	3	1	1	1	5	29	0
Raw materials	0	1	1	3	0	0	0
Production capacity (plant)	4	3	3	4	0	0	12
Finance	0	0	1	1	5	0	0
Labour disputes	2	2	1	3	0	0	0
Any other factors	21	20	14	16	0	14	25
No factors	8	5	5	4	20	0	17

CAPACITY WORKING

Are you working at your planned output level for this time of year?	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	July-Oct. %	Elect. Eng'g. %	Motor & C'sumer Durables %	Stores & C'sumer Services %
	4 monthly moving total				January 1982		
Above target capacity	1	1	3	3	2	0	4
On target	56	52	44	46	54	71	50
Below target capacity	41	47	52	48	44	29	38
No answer	1	0	1	3	0	0	8

INVESTMENT AND LABOUR

Some hope on job prospects

THE IMPROVEMENT in the economic outlook has been reflected in a rise in the number of companies expecting their labour forces to expand in the next 12 months.

The number of respondents expecting to cut workforces heavily *outweighs those* planning net recruitment, but the imbalance is less than at any time since the summer.

The stores and consumer service sector was particularly inclined to take on extra staff, in contrast with the last survey in September.

Fewer companies said lack of demand was discouraging recruitment. All three sectors gave greater weight to supply-side factors than when last surveyed.

There was little change in the index measuring planned capital spending.

LABOUR REQUIREMENTS (Weighted by employment)

Those expecting their labour force over the next 12 months to:	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	July-Oct. %	Elect. Eng'g. %	Motor & C'sumer Durables %	Stores & C'sumer Services %
	4 monthly moving total				January 1982		
Increase	12	8	8	7	4	0	46
Stay about the same	44	47	44	44	1	45	38
Decrease	43	45	48	49	95	55	16

CAPITAL INVESTMENT (Weighted by capital expenditure)

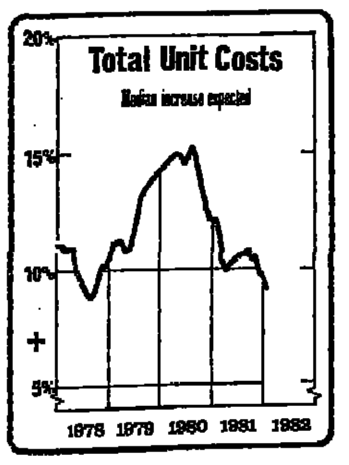
Those expecting capital expenditure over the next 12 months to:	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	July-Oct. %	Elect. Eng'g. %	Motor & C'sumer Durables %	Stores & C'sumer Services %
	4 monthly moving total				January 1982		
Increase in volume	26	23	23	23	55	42	32
Increase in value but not in volume	9	12	12	13	1	0	14
Stay about the same	20	22	19	19	34	0	4
Decrease	42	40	43	41	10	58	50
No answer	3	3	3	4	0	0	0

COSTS AND PROFIT MARGINS

Cost trends downwards

COMPANIES EXPECT wage settlements to be more than the *5 per cent maximum* generally predicted last September, but there is still an optimism about the downward trend of unit costs.

In general firms showed a tendency to be slightly less firm in their determination to resist high wage claims than they had been. There was also a somewhat reduced tendency for companies to want to increase differentials.



The index of expectations about profit margins fell in all three sectors surveyed and the overall indicator, which levelled out last month, has fallen quite sharply.

Resistance to price increases, lack of demand, low-capacity operation, increased materials costs and the Government's failure to control the cost of nationalised industries were factors mentioned.

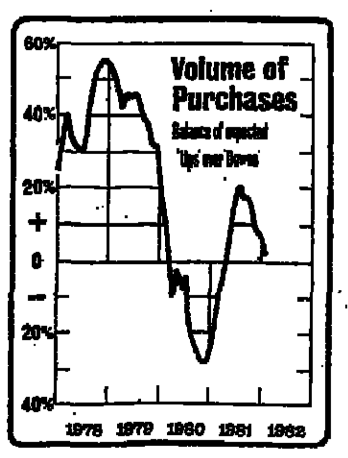
The durables group was particularly pessimistic about profit margins, with no factors mentioned as tending to improve margins.

In the stores and consumer services sector there were complaints of pressure on margins through competitive price cuts and the pressure from the fall of consumers' real disposable income.

These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, are based on interviews with top executives.

Three sectors and some 30 companies are covered in turn every month. They are drawn from a sample based on the FT Actuaries' Index, which accounts for about 60 per cent of all public companies.

The all-industry figures are four-month moving totals covering some 120 companies in the 11 industrial sectors (mechanical engineering is surveyed every second month).



Complete tables can be purchased from Taylor Nelson and Associates.

COSTS

	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	July-Oct. %	Elect. Eng'g. %	Motor & C'sumer Durables %	Stores & C'sumer Services %
	4 monthly moving total				January 1982		
Wages rise by:							
0-4%							
5-9%	2	4	4	3	0	0	0
10-14%	80	75	67	71	68	100	84
Remain the same	14	13	17	16	32	0	12
Decrease	0	2	2	2	0	0	0
No answer	4	7	10	9	0	0	4
Unit costs rise by:							
0-4%	2	3	3	7	0	0	0
5-9%	40	39	33	28	48	64	29
10-14%	32	36	30	35	22	7	21
15-19%	4	4	7	9	0	0	0
Remain the same	4	3	3	1	0	29	0
Decrease	2	2	2	2	30	0	0
No answer	17	14	23	18	0	0	50

PROFIT MARGINS

Those expecting profit margins over the next 12 months to:	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	July-Oct. %	Elect. Eng'g. %	Motor & C'sumer Durables %	Stores & C'sumer Services %
	4 monthly moving total				January 1982		
Improve	42	49	48	44	56	0	25
Remain the same	47	43	39	35	32	36	63
Contract	[illegible]	[illegible]	7	11	12	64	12
No comment	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0

هكذا من الأصل

APPOINTMENTS

Senior IBM UK posts

IBM vice president Mr Kaspar V. Cassani has been elected to the boards of IBM UNITED KINGDOM HOLDINGS and IBM UNITED KINGDOM LIMITED following the resignation of senior vice president Mr Jacques G. Maisonrouge. These changes follow Mr Maisonrouge's appointment to IBM's corporate office and corporate management committee in Armonk last December and Mr Cassani's appointment to succeed him as chairman and chief executive officer of the IBM World Trade Europe/Middle East/Africa Corporation and as president of IBM Europe SA.

★

Mr Peter Paine, managing director of Tyne Tees Television, and Mr Robert Phillis, managing director of Central Independent Television, have been appointed to the board of INDEPENDENT TELEVISION NEWS.

★

Mr Geoffrey C. Grant, senior partner of Grant Saw and Sons, the society's principal solicitors, has been appointed to the board of GREENWICH BUILDING SOCIETY.

★

Mr David W. Robins has been appointed to the board of HAMON-SOBELCO, British subsidiary of Hamon-Sobelco, Brussels.

★

Mr R. F. G. Dennis, a director of Rediffusion, and chief executive of Rediffusion Consumer Electronics, has been elected chairman of the CABLE TELEVISION ASSOCIATION in succession to Mr Maurice Townsend, chairman of Greenwich Cable Communications. Mr Townsend remains a member of the council of the association. Mr P. A. Gosling, managing director of Radio Rentals, has been elected deputy chairman of the association.

★

Mr Colin T. Mudd has been appointed marketing director of RENTAL RESEARCH.

★

Sir Geoffrey Errington has been appointed executive chairman of EXECUTIVE APPOINTMENTS and also of Guy Redmayne and Partners, following the retirement of Mr Peter Sherwood who becomes life president of both companies. The reconstituted boards include Mr Clive Taylor, Mr Orde Wingate and Mr Nicholas St John-Moore as executive directors.

★

Mr Walter Hudson has been appointed to the board of WELWYN ELECTRIC as director, advanced products. Welwyn Electric is part of the Welwyn Electronics Group, a Royal Worcester company.

★

Mr Brian J. P. Fitzgerald has been appointed to the board of WHATLINGS. Mr Roderick G. Lawson and Mr Fitzgerald have been appointed assistant managing directors of the group in addition to continuing with their present duties as respectively, group financial director and secretary, and joint managing director of Whatlings (Building). Mr Ian Henderson has been appointed a technical director of Whatlings and has resigned his appointment from the board of Whatlings (Civil Engineering).

★

BOULTON AND PAUL has made two board appointments following the resignation of Mr P. N. M. Rudder on his appointment as chairman of United Transport Company, which is also a subsidiary of British Electric Traction. Viscount Colville of Culross, a director of British Electric Traction Company and Mr M. C. Fetherston-Dilke, a member of the executive staff of BET, have both been appointed to the board of Boulton and Paul.

★

Mr Steven B. Altnen, at present a vice-president of Chase Manhattan Bank, London, will be joining the investment banking side of MERRILL LYNCH in London from March 1.

★

Mr A. J. G. Isaac has been appointed a deputy chairman of the board of INLAND REVENUE from April 1 in succession to Mr A. H. Dalton who will be retiring from the public service.

★

Sir Patrick Nairne has been elected president of the NATIONAL TELEVISION RENTAL ASSOCIATION in succession to Lord Bowden of Chesterfield. Mr J. K. Johnson, managing director of Visionhire, has been elected chairman of the association in succession to Mr P. A. Gosling, managing director of Radio Rentals. Mr Gosling remains a member of the council of the association. Mr E. W. E. Andrewes, managing director of Granada TV Rental has been elected deputy chairman in succession to Mr Johnson.

★

Mr Peter Samuel has been appointed chairman of SAMUEL PROPERTIES. He succeeds Viscount Bearsted, who has retired.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Stanelco, 20 Copthall Avenue, EC, 10.00
BOARD MEETINGS—
Final:
Kellock Tst.
Interims:
Hillards
Howard Shuttering
Morley (R. H.)
Regional Props.
Textured Jersey
DIVIDEND & INTEREST PAYMENTS—
Alliance Inv. Db. 3pc
Allied London Props. 10pcPf. 5pc
American Tst. 5pcPf. 1.75pc
Anderson Strathclyde 1.1p
Aquascutum Grp. 7½pcPf. 2.625pc
Assoc. Fisheries Ln. 4½pc
Assoc. Leisure 1.8p
Atlantic Assets Tst. 5pcPf. 1.75pc
BBA Grp. 5pcPf. 1.75pc
Beecham Grp. 3.7p
Birmingham Fltg. Rate 7¾pcRed. 1980-82 3⅞pc
Border and Southern Stockholders Tst. 5pc Pf. 1.75pc
Braid Grp. 5pcPf. 1.75pc
British Columbia Electric Co. Callable Bds. (Br.) 2¼pc. Bds. Ser. AD due 1/8/86 2¼pc
British Inds. and Gen. Inv. Tst. 5pcPfd. 1.75pc
British Insulated Callenders Cables Finance NV 7¾pcGtd.Bds. 1987 3⅞pc
Caledonia Inv. Db. 3pc
Cardiff Prop. 1p
Chrysler Overseas Capital Corp. 5pcGtd. Cnv.Skg.Fd.Dbs. due 1988 2½pc
Citicorp Overseas Finance Corp. NV 10pc Gtd.Nts. 1984 5pc. 13⅛pcStg./U.S. $ Gtd. Bds. 1990 6¼pc
City Investing 40cts. Series B Pf. 50cts
City of Aberdeen Land Assn. 4pcPf. 1.4pc
Colonial Secs. Tst. 5pcPf. 1.75pc
Consolidated 4pcLn. 2pc
Continental Illinois Corp. 50cts
Cooper (Frederick) (Hldgs.) 1p
Croda Chemicals Intnl. 8pcPf. 2.8pc
Crystalate (Hldgs.) 8pcPf. 5.6pc
Dalgety 4.85pcPf. 2.425pc
Daniell and Sons Breweries Db. 2¼pc
Debenhams 6½pcPf. 2.275pc. 7pcBPf. 2.45pc
Decca Ln. 3pc
Denmark 3½pc (1909) 1¾pc
Dove Harbour Board ¾pc 2nd Red.Db. 1978-93 ⅜pc
Drayton Cons. Tst. Db. 2¼pc (Perp.)
Dunlop Textiles 6½pcPf. 2.275pc
Edinburgh American Assets 4½pcPf. 1.575pc
Electric and Gen. Inv. Db. 3½pc
First Scottish American Tst. 3.5pcPf. 1.75pc. Ln. 2½pc
Foreign and Colonial Inv. Tst. Dbs. 2½ 3⅛pc
GMAC Overseas Finance Corp. 12⅞pcGtd. Notes 1/2/88 6.4375
Grant Bros. 7½pcPf. 2.625pc
Great Ouse Water Authority 5¼pc Red. Stk. 1986-88 2⅝pc
Greece 6pc Stabilisation and Refugee Ln. 1928 3pc
Gutehoffnungshutte Overseas NV 7¼pcGtd. Bds. 1981-88 3⅝pc
Hawker Siddeley Grp. 5½pcPf. 1.925pc
Hepworth (J.) and Son 6pcPf. 2.1pc. 7pc APf. 2.45pc. 10pcBPf. 3.5pc
Hertfordshire 6¾pc 1985-87 3⅜pc
IBM World Trade Corp. 12½pc Notes 1/2/88 6¼pc
ICL Intl. Finance 7½pcGtd.Bds. 1978-92 3¾pc
Imperial Chemical Inds. 5pcPf. 1.75pc. Lns. 2¼ 5¼pc
Industrial and Gen. Tst. Db. 2¼pc
Jamaica Public Service Db. 3½pc
Jenners, Princes St., Edinburgh 10pcPf. 5pc
Johnson Matthey Grp. 3p
Laird Grp. Db. 3¼pc
Law Debenture Corp. 3.85pcPf. 1.925pc
Legal and Gen. Ass. 7⅝pcBds. 1988 3.8125pc
Lewis (John) 5pcPf. 1.75pc. 7pcPf. 2.45pc
Lewis (John) Props. Db. 2pc
Macallan-Glenlivet 8¾pcPf. 3.0625pc
Manchester 1891 3pc Red. Stk. 1941 1½pc
Mercantile Inv. Tst. 4pcPf. 1.4pc. 5pcPf. 1.75pc
Merchants Tst. 4½pcPf. 1.575pc
Metropolitan Estate and Prop. Intnl. NV 8pcLn. 1991 4pc
Metropolitan Water New River 3pcDb. 1½pc
Meyer (Montague L.) 1.25p
Mitchell Somers 1.5p
Newcastle and Gateshead Water Dbs.
Nicor Inc. 71cts
Norsk Hydro 9½pc 1986 4¾pc
North East Lincolnshire Water Board 6¾pc Red. 1982-83 3⅜pc
Outwich Inv. Tst. 3.5pc (fmly. 5pc) Pf. 1.75pc. 4.2pc (fmly. 6pc) Pf. 2.1pc. 5.425pc (fmly. 7¾pc) Pf. 2.7125pc. 10pcPf. 5pc. Dbs. 2½ 2½ 3¼pc
Pitman 10pcPf. 5pc
Quebec Central Railway Db. 2pc
Samuel (H.) 6pcPf. 2.1pc
Sandvik 9pcBds. 1986 4½pc
Sangers Grp. 5½pcPf. 1.925pc. 7½pcPf. 2.625pc
Scottish Agricultural Secs. Corp. 14pcDb. 1993 7pc
Scottish U. Inv. 5pcPf. 1.75pc
Shell Intnl. Finance NV 8¼pc Gtd. Notes 1990 4⅛pc
Shell Transport and Trading 7pcPf. 2.45pc
Sidroy 7½pcPf. 2.625pc
Slough Estates Db. 3¼pc
Slough Estates Finance 8pc Gtd. Ln. 1973-1988 4pc
Sparrow Hardwick 7pcPf. 2.45pc
Standard Tst. Db. 2¼pc
Svenska Handelsbanken Fltg. Rate 12⅝pc Notes 1988 6⅜pc
TNT Overseas Finance NV 8¼pcCnv.Gtd. Sub.Bds. 1990 9.681p
Union Intnl. 10pcPf. 3.5pc
Utd. Gas Inds. 10pcPf. 3.5pc
United States Debenture Corp. 3.85pcPf. 1.925pc. Dbs. 2 2¼pc(2nd) 2¼pc(3rd)
Uruguay 3½pcBds. 1¾pc
Warwick Eng. Invs. Ln. 5pc
Watson (R. Kelvin) 1.3p
Westpool Inv. Tst. Dbs. 2½ 2¾pc
Whitbread Inv. Db. 3¼pc
Whitecroft 1.4p. 4.1pcPf. 2.05pc
Witan Inv. 1p. 2.7pcPf. 1.35pc. Db. 3¼pc
Young's Brewery 4.2pcPf. 2.1pc. 9pcPf. 4.5pc

TOMORROW

COMPANY MEETINGS—
ICL, Cafe Royal, 68, Regent Street, W. 12.00
BOARD MEETINGS—
Finals:
IDC
Prestige
Interims:
Cowan De Groot
Gold Fields of South Africa
Unitech
Zetters
DIVIDEND & INTEREST PAYMENTS—
Brasway, 2.5p
Bristol Evening Post, 4p
Continental and Ind. Tst., 4p
Doornfontein Gold Mining, 43.92407p
Driefontein Cons. 54.90508p
Howard Tenens Services, 0.5p
Huntingdon and Peterborough, 8½pc 81-83 4¼pc
Kloof Gold Mining 65.88810p
Libanon Gold Mining, 43.92407p
Monks Inv. Tst., 1.1p
Newcastle and Gateshead Water Dbs. 2, 2½, 4, 5, 6½pc
Nicor Inc., 71cts
Trustees Cpn., 1.1p
Venterspost Gold Mining, 19.21678p
Vlakfontein Gold Mining, 8.23576p

WEDNESDAY FEBRUARY 3

COMPANY MEETINGS—
Fenner (J. H.) (Hldgs.), Queen's Hotel, City Square, Leeds, 12.30
Keystone Inv., 30 Gresham Street, E.C., 2.30
Macallan-Glenlivet, Macallan-Glenlivet Distillery, Craigellachie, Banffshire 10.30
Piccadilly Theatre, Piccadilly Theatre, Denman Street, W., 10.00
BOARD MEETINGS—
Finals:
Western Selection and Development
Westminster Props.
Interims:
McKay Securities
Steinberg
DIVIDEND & INTEREST PAYMENTS—
American Medical Int., 13cts
Nationwide Building Society, 14¾pc Bds. 11/8/82 7⅜pc
Northampton Variable Rate Red. 1981 £7.8125
Ransome Hoffmann Pollard, 2p

THURSDAY FEBRUARY 4

COMPANY MEETINGS—
AE, The Savoy Hotel, W.C., 4.00
Akroyd and Smithers, Austin Friars House 2-6 Austin Friars, E.C. 12.30
Brockhouse, Victoria Works, Hill Top, West Bromwich, 3.00
Brown (Matthew), Trafalgar Hotel, Five Barred Gate, Salmesbury, 12.00
Fairline Boats, The Swan Inn, Peterborough, 3.00
Greenall Whitley, Lord Daresbury Hotel, Daresbury, Warrington, Cheshire, 12.00
Guinness (Arthur), The Toucan Inn, Park Royal Brewery, N.W., 2.45
BOARD MEETINGS—
Finals:
Blundell-Permoglaze
Lonsdale Universal
Scottish Agricultural Inds.
Interims:
Kinta Kellas Rubber Est.
Malaysia Rubber
Smith Bros.
Stonehill
DIVIDEND & INTEREST PAYMENTS—
Akroyd and Smithers, 10p
Banco De Bogota Finance Cpn. Gtd. Fltg. Rate Notes 1985 $97.75
Bank of Tokyo Curacao Gtd. [illegible] Rate Notes 1991 $465.58
Bass 6.93p
Blyvooruitzicht Gold Mining 54.93373p
Cons. Company Bultfontein Mine 5.8cts
De Beers Cons. Mines Pf. (Reg.) 20pc Do. (Br.) 20pc. Do. Pf. 4pc
Durban Roodepoort Deep, 54.93373p
Ferranti 3p
Hapoalim Int. Gtd. Fltg. Rate Notes 1986 $974.31
Jacksons Bourne End 2p
Keystone Inv. 6.6p
Norcros 1.85p
Pegler-Hattersley, 4p
Pilkington Bros., 3p
Plysu 0.75p

FRIDAY FEBRUARY 5

COMPANY MEETINGS—
Dubilier, Winchester House, 77 London Wall, E.C. 12.00
Vaux Brews., The Seaburn Hotel, Sunderland, 12.00
BOARD MEETINGS—
Finals:
Assoc. Fisheries
Glasgow Stockholders
Interims:
Burr Boulton
English Assoc.
ML Holdings
DIVIDEND & INTEREST PAYMENTS—
Agricultural Mort. Cpn. 13½pc Bds. 5/2/86 £7.7625
Anglo American of South Africa Pfd. 1.830627
Beechwood Construction (Hldgs.) 0.5p
Bell and Sime 1.75p
British Inv. Tst. Db. 2pc
Brotherhood (Peter), 1p
Buffelsfontein Gold Mining, 200cts
C. A. Cavendes Sociedad Financiera Fltg. Rate Deposits 1986 $48.41
C. H. Inds. 0.9075p
Causton (Sir Joseph), 1.35p
Chemring 2.55p
Christiania Bank O.G. Kreditkasse Fltg. Rate Sub. Notes 1919 $38.77
Comet Radiovision Services 2.80p
Dixon (David) Group 2.02p
Fairline Boats 0.5p
Greenall Whitley, 1.9p. Do. A 0.682p
Hanson Tst. 5.75p
Haslemere Est. 1.65p
Hawkins and Tipson, 1p
Holyrood Rubber 15p
Hongkong (Selangor) Rubber 6p
Inury Prop. Hldgs. 1.2p
Kuala Selangor Rubber 4.5p
London Merchant Secs. 0.45p
Moorgate Mercantile Hldgs. 0.5p
Norton and Wright Grp. 0.5p
[illegible]

SATURDAY FEBRUARY 6

DIVIDEND & INTEREST PAYMENTS—
British American and General Tst. [illegible]
Brown (Matthew) 5p
[illegible]

SUNDAY FEBRUARY 7

DIVIDEND & INTEREST PAYMENTS—
[illegible]

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	British Toy and Hobby Fair (01-701 7127) (until Feb 3)	Earls Court
Feb 1-4	*Photography at Work Exhibition (01-688 7788)*	*Exhibition Centre, Harrogate*
Feb 2-4	COMPELEX '82—Electronic Components Exhibition (01-629 4304)	American Embassy
Feb 7-11	*International Spring Fair—Gifts (01-855 9201)*	NEC, Birmingham
Feb 9-12	Information, Technology and Management Exhibition and Conference—INFO '82 (01-647 1001)	Barbican Exhibition Centre
Feb 10-12	*Western Building Show (01-643 8040)*	Exhibition Centre, Bristol
Feb 10-12	Ceramic Tile Exhibition and Conference—TILEX (01-450 0466)	Wembley Conference Centre
Feb 12-14	Crufts Dog Show (01-493 7838)	Earls Court
Feb 14-17	International Men's and Boy's Wear Exhibition (021 705 6707)	Olympia
Feb 16-20	Ideal Home Exhibition (0202 28475)	Assembly Rooms, Worthing
Feb 21-23	Video Software Show (01-686 2500)	Heathrow Hotel
Feb 21-25	Scottish Gifts Fair (01-855 9201)	Kelvin Hall, Glasgow
Feb 24-25	Oil, Gas, Petroleum and Process Plant Exhibition (01-637 8841)	Bloomsbury Centre, London
Feb 28-Mar 4	*International Light Show (0248 88396)*	Olympia
Mar 1-4	Hydraulics and Pneumatics Exhibition (01-839 5041)	NEC, Birmingham
Mar 2-6	*International Production Engineering and Productivity Exhibition and Conference (01-747 3131)*	Olympia
Mar 4-7	National Glazing Exhibition (01-686 2599)	Cunard International
Mar 7-9	*Footwear and accessories show (01-739 2071)*	*Exhibition Centre, Harrogate*

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Feb 5-14	International Boat Show (01-486 1951)	Helsinki
Feb 9-18	Equipment and apparatus for drug production and testing exhibition (01-235 2423)	Moscow
Feb 10-13	International Trade Fair for Household Appliances, Fittings and components—DOMOTECHNICA (01-409 0956)	Cologne
Feb 13-16	International Trade Fair for Watches, Jewellery and Silverware—INHORGENTA (01-486 1951)	Munich
Feb 15-18	*Middle East Machine Maintenance, Light Engineering and Handling Show—MEM (01-486 1951)*	Bahrain
Feb 23-27	International Rubber and Plastics Exhibition for *Asia (01-839 5041)*	*Singapore*
Feb 25-28	Scandinavian Menswear Fair and Fashion Week (01-540 1101)	Copenhagen
Mar 5-8	Winter Sports Fashion Exhibition (01-439 3964)	Paris

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Feb 1-2	Metal Bulletin Congresses: Middle East Metals and Minerals (01-633 6525)	Dubai
Feb 2	Oyez: Company Finance for the Executive Secretary (01-242 2481)	Portman Hotel, W1
Feb 3-4	FT Conference: The Seventh Pensions Conference (01-621 1355)	Grosvenor House, W1
Feb 4	IPS: Energy (0990 23711)	Tower Hotel, E1
Feb 8	American Tax Institute in Europe: Finance/Leasing under new U.S. tax laws (Paris 256 33 70)	Waldorf Hotel, WC2
Feb 9-12	INFO '82—The challenge of Information Technology (057282 2711)	Barbican Centre
Feb 9-10	FT Conference: The Euromarkets in 1982 (01-621 1355)	Inter-Continental Hotel, W1
Feb 9-12	Offshore South East Asia Conference (01-546 5144)	Singapore
Feb 10-11	Spearhead Exhibition: UK Offshore Safety Conference (01-549 5831)	Eastbourne
Feb 11	American Tax Institute in Europe: Foreign investment in U.S. real property (Paris 256 3370)	Amsterdam
Feb 15-17	AMR International: Management Skills and Techniques for Women in Business (01-262 2732)	Kensington Hilton Hotel
Feb 16-17	Crown Eagle Communications: Gaining Value from Overhead Costs (01-636 0617)	Hilton Hotel, W1
Feb 17	Mills and Allen Communicaions: CBT Techniques and Uses—An Appreciation (01-240 1307)	London
Feb 18-19	International Chamber of Commerce: The international effects of nationalisations (Paris 261.85.97)	Paris
Feb 25-26	The Economist: The World Market: protectionism or co-operation and expansion? (01-839 7000)	Hyde Park Hotel, W1
Feb 25	The Banker/OPC/LCCI: Growing Pains—Resolving the problems facing international Banks of establishing and developing a physical presence in the City of London (01-629 2483)	Cannon Street, EC4
Feb 25	Dun and Bradstreet: Fundamentals of credit management—for credit personnel and those concerned with trade debtors (01-247 4377)	Albany Hotel, Birmingham
Mar 1-2	FT Conference: The Fourth World Motor Conference (01-621 1355)	Geneva
Mar 3	DIBC (UK): The credit analysis of international banks (01-788 5126)	City Conference Centre, EC3

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

This week in Parliament

TODAY

Commons: Debate on the nuclear power programme.

Lords: Mental Health (Amendment) Bill, Committee; Fishing Vessels (Acquisition and Improvement) Grants Scheme.

Select Committees: Foreign Affairs: Subject: Caribbean and Central America: British approach to *stability*, security and development. Witness: Miss J. Pearce (Room 8, 4.30 pm). Treasury and Civil Service: Subject: Budgetary Reform in the UK. Witnesses: Treasury officials (Room 15, 4.30 pm).

TOMORROW

Commons: *Coal Industry Bill*, Second Reading; New Towns Bill, remaining stages.

Lords: Currency Bill, Committee and remaining stages. Social Security Contributions Bill, Report and Third Reading; Civic Government (Scotland) Bill, Committee; Rates Amendment (NI) Order; Electricity Service (Finance) (NI) Order.

Select Committee: Environment: Subject: Private Rented Housing Sector. Witnesses: Small Land*lords Association* (at 4 *pm*); Professor David Donnison (at 5 pm) (Room 16, 4 pm).

WEDNESDAY

Commons: Local Government (Miscellaneous Provisions) Bill, remaining stages; Electricity Service (Finance) (Northern Ireland) Order; Lloyds Bill, Report.

Lords: Debates on the effects of market forces on society, and on part-time higher education.

Select Committees: Defence — Subject: Ministry of Defence Organisation and Procurement Witnesses: British Shipbuilders (Room 15, 10.30 am). Scottish Affairs — Subject: Rural Road *Passenger Transport* and *Ferries* in Scotland. Witnesses: Scottish Office (Room 5, 10.30 am). Home Affairs — Subject: Police complaints procedure. Witnesses: Association of Chief Police Officers; Director of Public Prosecutions (Room 8, 10.45 am). Public Accounts — Subject: University Grants Committee control of university building projects; Assessment of University grant needs. Witnesses: Sir James Hamilton, Department of *Education and Science*; Dr E. Parkes, University Grants Committee (Room 16, 4.00 pm). *Social Services — Subject:* The age of retirement. Witnesses: Confederation of British Industry *(Room 21, 4.15 pm). Trans*port — Subject: Transportation in London. Witnesses: London Transport Executive (at 4.15 pm); Sir Peter Masefield and Sir Peter Parker (at 5.30 pm) (Room 17, 4.15 pm). Employment — Subject: The proposed industrial relations legislation. Witness: *Rt Hon Norman* Tebbit MP, Secretary of State for Employment (Room 10, 4.30 pm). Energy — Subject: Combined Heat and Power Witnesses: The Marshall Committee (at 4.30 pm); Department of Energy (Room 6, 4.30 pm). Welsh Affairs — Subject: Water in Wales. Witnesses: Welsh Water Authority Land Drainage Committee and Caldicot and Wentlooge Levels Drainage Board (Room 18, 4.30 pm).

THURSDAY

Commons: debate on help for *the elderly*.

Lords: debate on the Scarman Report.

Select Committee: Agriculture—Subject: Less Favoured Areas. Witnesses: Agriculture Development and Advisory Service; Hill Farming Research Organisation; Exeter University (Room 16, 11.00 am).

FRIDAY

Commons: *Private Members'* Bills.

Isle of Man drafting five-year plan

BY OUR ISLE OF MAN CORRESPONDENT

THE Isle of Man is drafting a five-year plan to cover the period to the next House of Keys general election, under the guidance of Mr Percy Radcliffe, first chairman of the Manx Government's Executive Council, *its cabinet*. He was formerly chairman of the Finance Board.

Mr Radcliffe wants the Boards of Tynwald to submit departmental plans on which an overall scheme can be formulated. He said: "The less *government interferes in pri*vate business the better it is for the business. And the end result is more revenue for government."

He plans to promote the Island's advantages as an industrial and finance centre — low *taxation* and *stability*.

INSURANCE

Pru increases motor premium rates 9.3%

BY ERIC SHORT

THE Prudential Assurance Company increases its motor premiums rates for private cars today by 9.3 per cent.

This rise, which the Pru has kept very quiet about, is significant for two reasons. With 600,000 motorists on its books, it is the first major motor insurer to put up its premiums *this year. Indeed, it is the first* to increase its rates for several months.

Second, the previous motor rate increase was made 12 months ago, when the Pru put up its rates by 9.3 per cent. This was the first time for *several years that the company* had held its rates for 12 months. Previously, it had changed its rates every six months.

Last year's increase was well below the rate of price inflation. Even so, the Pru was able to hold its rates for a year. How was this possible, and what did it cost?

Possible answers are given in *the annual review of* UK motor insurance by stockbrokers Rowe and Pitman.

There is little doubt why the Prudential held its rates for a year. All the major composite insurance companies are engaged in keen competition for personal non-life business. The UK insurance market is about the only major one offering prospects of a decent return—and the personal sector, with its index-linked premiums, is *the fastest growing*.

Any competition for such business must centre on motor insurance. *For some insurance* companies, it is the most important part of their world business, as the Rowe and Pitman survey highlights.

For example, in 1980 UK motor insurance premiums accounted for 27.2 per cent of the worldwide premium income of General Accident, while for Eagle Star the proportion was 23.8 per cent and for Phoenix 23.8 per cent.

The Prudential is predomin*antly a life company* with a substantial non-life portfolio and UK motor accounted for 24.7 per cent of *non-life premiums*.

The report shows that the importance of UK motor business has grown in the past five years. In 1976 it accounted for 8.9 per cent of the combined worldwide premium income for the seven major quoted composites. By 1980 this had grown to 14.9 per cent.

The survey illustrates the *effects of growing competition*, with increases falling behind the rate of *inflation*. Motor premiums last year rose on average by 7.3 per cent, compared with 19.6 per cent in 1980 and 18.1 per cent in 1979.

Most of last year's rate *rises* came in the first six months. Market conditions became more competitive as the year progressed and there were few *increases* in the second half of the year.

But far from piling up underwriting losses as might be expected, the brokers estimate that losses last year will be cut to £9m for the UK motor insurance account, against nearly *£50m in 1980*.

There are several explanations. First, the influences on motor claims costs have been favourable. The rates of increase in new car prices, cost of spare parts and garage charge-out rates (labour costs) have fallen sharply from their high levels in 1979.

Second, claims frequencies—*the ratio of the number of* claims to the number of cars insured—have also been falling from the peak *levels of 1979*. The *survey* shows the claims expressed as a percentage of exposure fell from 21.0 per cent in 1979 to 19.9 per cent in 1980, with a further 2 point fall likely for 1981. Up to 1979, claims frequencies had risen steadily.

The better weather last year, the higher cost of petrol and the reduced use of cars because of the recession *influenced this* trend.

Finally, there is a considerable time lag between insurance companies putting up premiums *rates and the effect* coming through in the accounts.

The bad weather last month, and the price *war at the petrol* pumps have ended the favourable underwriting experience. Claims frequencies can be expected to rise again and put pressure on insurance companies for a premium rate increase.

On the other hand, competitive pressures are just as strong, and few companies want to be the first to put up their rates.

Companies are therefore waiting to see what the General Accident will do. *Britain's* largest motor insurer last changed its rate on August 1 1980. The impression is that a rise will come once the 1981 results are known.

Rowe and Pitman anticipate rather modest premium *increases this year—about* 10 per cent.

COMPANY NOTICES

C. ITOH AND CO. LIMITED
TO THE HOLDERS OF
BEARER DEPOSITARY RECEIPTS

Please note that the Company has issued the following announcement to all C. Itoh & Co. Limited shareholders:

PUBLIC NOTICE OF RESOLUTIONS OF THE BOARD OF *DIRECTORS CONCERNING THE ISSUANCE OF BONDS* WITH WARRANTS

To: All Shareholders

Please be advised that the issuance of Bonds due 1987 with Warrants to subscribe Common Stock of the Company, the particulars of which are described hereunder, were *duly approved at meetings of the Board of Directors held on January 8 and January 22, 1982*, respectively.

C. ITOH & CO. LIMITED
68, Kitakyutaromachi 4-Chome,
Higashi-Ku, Osaka

Seiki Tozaki
President and Director

Particulars of the Bonds due 1987 with Warrants to subscribe Common Stock of the Company

1. Aggregate Amount of Issue : US.$50,000,000 and the sum equal to the total principal amount of replacement Bonds to be issued in case of loss, theft or destruction of the Bonds, subject to appropriate evidence and indemnity being obtained.
2. Issue Price : 100% of the par value of the Bonds.
3. *Interest Rate* : *11% per annum of the par value of the Bonds.*
4. Date for Subscription Payment and Date of Issuance : February 9, 1982 (London time)
5. Final Redemption Date : February 15, 1987.
6. *Details of the Warrants*
(1) Total Issue Price of Share per Warrant.
The total issue price of Share that may be subscribed upon the exercise of a Warrant shall be 227.150 Yen (this amount being obtained by translating the par value of the Bond at the exchange rate of 227.15 Yen for US.$1.00) per Bond with a par value of US.$1.000.
(2) *Issue Price (Warrant Exercise Price) of Share issued upon the exercise of a Warrant.*
The initial Warrant Exercise Price shall be 341 Yen per Share, except in certain cases, no fraction of a Share will be issued upon the exercise of a Warrant.
(3) Adjustment of the Warrant Exercise Price.
The initial Warrant Exercise Price per Share may be adjusted from time to time in accordance with the following formula in the event that after the issuance of the Bonds the Company shall issue new Shares of its Common Stock for a consideration less than their then current market price:

$$\text{Warrant Exercise Price After Adjustment} = \text{Warrant Exercise Price Prior to Adjustment} \times \frac{\text{Number of Shares issued} + \dfrac{\text{Number of Shares to be issued} \times \text{Consideration per Share}}{\text{Current Market Price per Share}}}{\text{Numbers of Shares Issued} + \text{Number of Shares to be Issued}}$$

Appropriate adjustments shall also be made in the event of stock dividends, the free distribution of Shares, the issuance of any convertible Bonds with a conversion price inferior to the then current market price or upon the occurrence of other specified events. However, unless permitted by law, the Warrant Exercise Price per Share shall not be inferior to the par value per Share of Common Stock of the Company.
(4) Description of the Shares to be issued upon the exercise of a Warrant.
Registered Shares of Common Stock with par value of the Company (par value per Share of 50 Yen).
7. Warrant Exercise Period
Warrant may be deposited to be exercised at any time on and after March 1, 1982, up to and including January 20, 1987 (local time of the place where a written Warrant Exercise Notice is deposited): provided that if the Bonds issued therewith become immediately due and repayable at any time prior to January 20, 1987, pursuant to the occurrence of any event of default the Warrants may be deposited to be exercised at any time prior to the date when payment of the principal amount of the Bonds is duly made but shall become void thereafter: provided also that if the Warrant and Warrant Exercise Notice are deposited within the Warrant Exercise Period and the subscription moneys are paid to the subscription bank (The Dai-Ichi Kangyo Bank Limited, Head Office) within fifteen days thereafter, the Warrant shall be deemed to have been exercised within the Warranty Exercise Period.
8. Assignment of Warrants
Warrants may be transferred separately from the Bonds.
9. Partial Exercise of Warrants
Partial Exercise of a Warrant is permitted. In such a case, however, the right to exercise such Warrant shall nevertheless be fully exhausted in respect of such Warrant and the holder of such Warrant shall not be entitled to subscribe any further shares in respect thereof.
10. Place of Offering
Overseas Market (excluding the U.S.A.), but primarily in Europe.
11. Offering Method
Public offering by underwriting on a stand-by basis by the Underwriters including the following Managers:

THE NIKKO SECURITIES CO. (EUROPE) LIMITED
MORGAN GUARANTY LIMITED
BANQUE DE PARIS ET DES PAYS-BAS
DEUTSCHE BANK AKTIENGESELLSCHAFT
KLEINWORT BENSON LIMITED
MORGAN GRENFELL & CO. LIMITED
SALOMON BROTHERS INTERNATIONAL
J. HENRY SCHRODER WAGG & CO. LIMITED
SMITH BARNEY, HARRIS UPHAM & CO. INCORPORATED
ALGEMENE BANK NEDERLAND N.V.
DAI-ICHI KANGYO INTERNATIONAL LIMITED
DAIWA EUROPE LIMITED
DREXEL BURNHAM LAMBERT INCORPORATED
KUWAIT INTERNATIONAL INVESTMENT CO. S.A.K.
NOMURA INTERNATIONAL LIMITED
SUMITOMO FINANCE INTERNATIONAL
SWISS BANK CORPORATION INTERNATIONAL LIMITED

CAISSE NATIONALE DE TELECOMMUNICATIONS
FFr 125,000,000 Loan
7.50% 1972-1984

The redemption instalment of FFr. 25.000.000.- due on March 1, 1982 has been partly met by purchases in the market to the nominal value of FFr. 7,030,000.-

The balance of FFr. 17.970.000.- has been met by a draw by lot on January 13, 1982 in the presence of a notary public.

BONDS DRAWN BY LOT:
Nos. 8451 to 18425 inclusive when taking previous instalments into account.

OUTSTANDING AMOUNT AFTER MARCH 1, 1982:
FFr. 50.000.000.-.

BONDS WILL BE REDEEMABLE AT PAR AS FROM MARCH 1, 1982 WITH COUPONS AT MARCH 1, 1983 AND SUBSEQUENTS ATTACHED.

REDEEMABLE BONDS NOT YET PRESENTED FOR REPAYMENT:
Instalment as of 1.03.81:
Nos. 9913 to 14489 inclusive.

The Fiscal Agent
BANQUE DE PARIS ET DES PAYS-BAS POUR LE GRAND-DUCHE DE LUXEMBOURG

CAISSE NATIONALE DE TELECOMMUNICATIONS
US$20,000,000 Loan
8% 1971-1986

The redemption instalment of *U.S.$2.000.000.-* due on *March 1*, 1982 has been partly met by purchases in the market to the nominal value of U.S.$62.000.-

The balance of U.S.$1,938,000.- was been met by a draw by lot on January 13, 1982 in the presence of a notary public.

BONDS DRAWN BY LOT:
Nos. 2294 to 10086 inclusive when taking previous instalments into account.

OUTSTANDING AMOUNT AFTER MARCH 1, 1982:
U.S.$8,000,000.-.

BONDS WILL BE REDEEMABLE AT PAR AS FROM MARCH 1, 1982 WITH COUPONS AT MARCH 1, 1983 AND *SUBSEQUENTS* ATTACHED.

REDEEMABLE BONDS NOT YET PRESENTED FOR REPAYMENT:
Instalment as of 1.03.79:
Nos. 4884-6112 inclusive.
Instalment as of 1.03.81:
Nos. 5193-8911 inclusive.

The Fiscal Agent
BANQUE DE PARIS ET DES PAYS BAS POUR LE GRAND-DUCHE DE LUXEMBOURG

BANQUE NATIONALE DE PARIS
Floating Rate Note Issue of US$250 million
January 1980/88

The rate of interest applicable for the three month period beginning *January 29th, 1982 and* set by the reference agent is 15⅛% annually.

THE COMPANIES ACTS 1948 TO 1981

NOTICE TO DISSENTING SHAREHOLDERS

Pursuant to Section 209(1) of the Companies Act 1948

In the matter of

PROVIDENT LIFE ASSOCIATION OF LONDON LIMITED
(hereinafter called "the transferor company")

Notice by WINTERTHUR SWISS INSURANCE COMPANY
(hereinafter called "the transferee company")

To: THE HOLDERS OF SHARE WARRANTS TO BEARER FOR 3.5 PER CENT (FORMERLY 5 PER CENT GROSS) CUMULATIVE PREFERENCE SHARES OF £5 EACH.

WHEREAS on 30th September, 1981, the transferee company made an offer to all the holders of the 3.5 per cent (formerly 5 per cent gross) *Cumulative Preference Shares of £5 each ("Preference Shares")* in the transferor company to acquire all their said Preference Shares for a purchase consideration of 250p in cash for each Preference Share in the transferor company.

AND *WHEREAS up to 30th October, 1981, being a date within* four months of the date of the making thereof such offer was approved by the holders of not less than *nine-tenths* in value of the said Preference Shares of the transferor company (other than shares already held at the date of the offer by, or by a nominee for, the transferee company or its subsidiary).

NOW THEREFORE the transferee company in pursuance of the provisions of Section 209 (1) of the Companies Act 1948, hereby gives you notice that it desires to acquire the Preference Shares held by you in the transferor company And further take notice that unless upon an application being made *to the Court by you within one month from the date on which this notice is* given the Court thinks fit to order otherwise the transferee company will be entitled and bound to acquire the Preference Shares held by you in the transferor company on the terms of the offer approved by the approving holders of the said shares.

For the Transferee Company
HANS BRAUNSCHWEILER
Director.

Winterthur *Swiss Insurance Company*,
General Guisan Strasse 40,
CH-8401 Winterthur,
Switzerland.

Dated this 1st day of February, 1982

All communications regarding this *Notice should* be addressed to Samuel Montagu & Co. Limited, New Issue Department, Augustine House, Austin Friars, London, EC2N 2JL.

TENDERS FOR GREATER LONDON BILLS

1. The Greater London Council hereby *give notice that Tenders will be received* at the Chief Registrar's Office (Bank Buildings), Bank of England, London, EC2R 8EU, on Monday, 8th February, 1982, at 12 noon for Greater London *Bills to be issued in conformity with the* Greater London Council (General Powers) Act, 1967, to the amount of £35,000,000.

2. The Bills will be in amounts of £5,000, £10,000, £25,000, £50,000, *£100,000 or £250,000*. They will be dated Thursday, 11th February, 1982, and will be due 91 days after date, without days of grace.

3. Each Tender must be for an amount not less than £25,000, and must specify the net amount per cent (being a multiple of one new halfpenny) which will be given for the amount applied for.

4. Tenders must be made through a London Banker, Discount House or Broker.

5. The Bills will be issued and paid at the Bank of England.

6. Notification will be sent by post, on the same day as Tenders are received, to the persons whose Tenders are accepted in whole or in part and payment in full of the amounts due in respect of such accepted Tenders must be made to the Bank of England, by means of cash or by draft or cheque drawn on the Bank of England, not later than 1.30 p.m. on Thursday, 11th February, 1982.

7. Tenders must be made on the printed *forms which may be obtained either from* the Bank of England, or from the Council's Offices at The County Hall.

8. The Greater London Council reserve the right of rejecting any Tenders.

M. F. STONEFROST,
Comptroller of Finance.

The County Hall
London SE1 7PB
1st February, 1982.

PUBLIC NOTICES

METROPOLITAN BOROUGH
OF WIRRAL BILLS

£2m Bills from 27th January, 1982 to 28th April, 1982 at 13 35/64ths per cent. Application £13m. £6m outstanding.

CONTRACTS AND TENDERS

LEMBAGA LETRIK NEGARA TANAH MELAYU
NATIONAL ELECTRICITY BOARD OF THE STATES OF MALAYA
TRENGGANU HYDROELECTRIC PROJECT
CONTRACT NO. 1854/24—CABLING AND EARTHING

LEMBAGA LETRIK NEGARA TANAH MELAYU invites applications from suitably qualified and experienced contractors wishing to be registered as tenderers for the following contract for the Trengganu Hydroelectric Project in Trengganu, Malaysia:

CONTRACT No. 1854/24—CABLING AND EARTHING

This contract *comprises the design, manufacture, factory testing, delivery*, erection, testing and defect liability for the following plant:

- Cabling and earthing *for* Power Station
- Cabling and earthing for Pressure Tunnel Inlet Structure
- Interconnecting cabling between Power Station, Sub-station, Pressure Tunnel Inlet Structure and Dam Instrumentation Terminal Structures

LEMBAGA LETRIK NEGARA through the Government of Malaysia has *applied for a loan from* the *Overseas Economic Co-operation Fund Japan* under the Fifth Yen Credit on an untied basis to finance the foreign currency portion of these Contracts. Applications for registration will be *considered* from interested contractors of the following countries:

1) Member countries of the Organisation for Economic Co-operation and Development (OECD)
2) Developing countries in general subject to individual notification of approval by LEMBAGA LETRIK NEGARA

Formal applications for registration should be submitted not later than 1 April 1982. It is expected that tender documents will be issued to registered tenderers about May 1982. Tenders will be required to be *submitted about 3 months thereafter*.

Tenderers must have had approved previous experience in the design, manufacture and erection of similar equipment in large power stations. Full details of manufacturers' experience and their technical and financial competence must be forwarded with the applications. Applications must be accompanied by a banker's order or draft for $A250 payable to SNOWY MOUNTAINS ENGINEERING CORPORATION as a documentation *fee for each contract. The documentation fee will be refunded only to* applicants not issued with tender documents.

Applications must be forwarded to:
Project Manager
Trengganu Hydroelectric Project
Snowy Mountains Engineering Corporation
PO Box 356
Cooma North, NSW 2630
Australia

with a copy to:
Project Engineer
Trengganu Hydroelectric Project
National Electricity Board
PO Box 1003
Kuala Lumpur, Malaysia

LEMBAGA LETRIK NEGARA is not liable for costs incurred by applicants in preparing applications and will not be liable for costs incurred by registered tenderers in preparing tenders.

Housing Executive

Tenders are invited for the supply, delivery, installation and commissioning of Computer Terminal Equipment.

Tender forms, specifications etc., may be obtained from the Office Services Department, The Housing Centre, 2, Adelaide Street, Belfast BT2 8PB (telephone no. Belfast (0232) 40588 extensions 2185/6), and completed tenders, sealed in envelope provided, must be returned to this address not later than 3.00 pm, Tuesday, 16th Feb*ruary*, 1982.

The Executive is not bound to accept the lowest or any tender.

J. R. GORMAN
Chief Executive

CURRENCIES, MONEY and GOLD — RECENT ISSUES

MONEY MARKETS — COLIN MILLHAM

A little more help

A LITTLE extra help was provided to the London money market by the authorities on two days last week. Possibly the late intervention on Monday and Wednesday was considered too small to warrant inclusion in the regular market report, but if only about £10m worth of bills were involved on Wednesday the secretive nature of the operation seems to have merely led to unnecessary suspicion.

The published assistance on Monday was £232m on an indicated shortage of around £330m, with all the bill purchases confined to bands 1 and 2. This also led to suggestions that the Bank of England was trying to keep the market tight, even though it was probably a reflection of the fact that longer term bills were offered to the authorities at unacceptable rates, and that conditions were very nervous following another set of disappointing U.S. money supply figures.

Help of £430m on an expected shortage of £400m was provided on Tuesday, and of £275m on a shortage of £250m on Thursday. Substantial assistance of £435m was provided on Friday, but some band 3 bills were bought at 13 13/16 per cent, representing a further cut of 1/16 per cent in the Bank of England market dealing rate.

During the week three-month interbank money was unchanged at 14 1/8 per cent, while seven-day money fell by 1/16 per cent to 14 11/16 per cent.

In Paris call money rose to 15 1/4 per cent from 15 per cent, and period rates were around 1/8 per cent firmer, but in Frankfurt the shorter periods fell quite sharply. One-month finished at 9.90 per cent compared with 10.30 per cent, although call money firmed to 10.05 per cent from 9.875 per cent.

In New York Treasury bill rates showed an easier trend by the end of the week, and the Federal funds overnight rate was little changed at around 14 per cent despite strong upward pressure on earlier days. Comments by members of the U.S. Administration, including Mr Paul Volcker, chairman of the Federal Reserve Board, suggesting that the recent alarming money supply growth will soon be reversed was seen as a hopeful sign in Europe, contributing to the bullish sentiment in London's gilt-edged market.

BANK OF ENGLAND TREASURY BILL TENDER

	Jan. 29	Jan. 15		Jan. 29	Jan. 22
Bills on offer*	£100m	£100m	Top accepted rate of discount	13.5371%	13.5371%
Total of applications	£363.47m	£444.445m	Average rate of discount	13.5122%	13.5169%
Total allocated	£100m	£100m	Average yield	13.93%	13.99%
Minimum accepted bid	£96.625*	£96.625	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	27%	82%			

* 92 day bills allotted at £96.59

WEEKLY CHANGE IN WORLD INTEREST RATES

	Jan. 29	change		Jan. 29	change
LONDON			**NEW YORK**		
Base rates	14	Unch'd	Prime rates	15 3/4	Unch'd
7 day Interbank	14 5/8-14 3/4	-1/16	Federal funds	13 7/8-14 1/8	+1/8
3 mth Interbank	14 1/16-14 3/16	Unch'd	3 mth Treasury Bills	12.23	-0.59
Treasury Bill Tender	13.5122	-0.0047	6 Mth. Treasury Bills	12.61	-0.65
Band 1 Bills	13 7/8	Unch'd	3 Mth. CD	13.95	-0.05
Band 2 Bills	13 7/8	Unch'd	**FRANKFURT**		
Band 3 Bills	13 13/16	-1/16	Special Lombard	10	Unch'd
3 Mth. Treasury Bills	13 1/2-13 17/32	-3/32	One Mth. Interbank	9.90	-0.40
1 Mth. Bank Bills	13 27/32-13 29/32	-1/16	Three month	10.30	-0.05
3 Mth. Bank Bills	13 9/32-13 11/16	-1/16	**PARIS**		
TOKYO			Intervention Rate	14 3/4	Unch'd
One month Bills	6.71875	-0.0625	1 Mth. Interbank	15 1/16	+1/16
Three month Bills	6.59375	Unch'd	Three month	15 1/16	+1/8
BRUSSELS			**MILAN**		
One month	14 1/2	-1/16	One month	20 11/16	+1/8
Three month	15 1/4	-1/8	Three month	21 3/8	Unch'd
AMSTERDAM			**DUBLIN**		
One month	10	Unch'd	One month	18 1/4	Unch'd
Three month	10 1/8	+1/8	Three month	18 1/2	Unch'd

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market, and their respective changes during the week.

FT LONDON INTERBANK FIXING

3 months U.S. dollars		
bid 14 5/16	offer 14 11/16	
6 months U.S. dollars		
bid 15 1/16	offer 15 3/16	

The fixing rates (Jan 29) are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Jan. 29 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ‡	Eligible Bank Bills ‡	Fine Trade Bills ‡
Overnight	—	3.16	14 1/8-14 1/2	—	—	14 1/2-15	13 1/2-14 1/2	—	—	—
2 days notice	—	—	14 1/2	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14 3/4	14 1/2-14 5/8	—	—	14 1/2-14 7/8	13 7/8-14	—	—	—
One month	14 1/8-14 1/4	14 3/4	14 1/2	15-14 3/4	14 1/8	14 1/2-14 7/8	14	13 13/16-13 7/8	13 13/16-13 7/8	14 3/4
Two months	[illegible]	[illegible]	—	15-14 1/2	14 1/2	14 1/2	13 1/2-13 3/4	[illegible]	[illegible]	14 1/2
Three months	[illegible]	[illegible]	14 1/2	15-14 1/2	14 1/2	14 7/8	[illegible]	[illegible]	[illegible]	14 1/2
Six months	[illegible]	[illegible]	14 1/2	14 1/4-13 7/8	14 1/2	—	—	—	[illegible]	14
Nine months	[illegible]	[illegible]	—	14 1/4-14	14 1/2	—	—	—	—	—
One year	[illegible]	[illegible]	14 1/2	14 1/4-14 1/2	14 1/2	—	—	—	—	—
Two years	—	—	14 1/2	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 14 3/4 per cent; four years 14 3/4 per cent; five years 14 3/4 per cent. ‡Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 13 27/32-13 3/4 per cent; four months trade bills 14 1/2 per cent.

Approximate selling rate for one month Treasury bills 13 13/16 per cent; two months 13 27/32-13 3/4 per cent; three months 13 23/32-13 7/16 per cent. Approximate selling rate for one month bank bills 13 13/16-13 27/32 per cent; two months 13 23/32-13 3/4 per cent; and three months 13 23/32-13 9/16 per cent; one month trade bills 14 1/2 per cent; two months 14 3/4 per cent; three months 14 1/2 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 15 1/2 per cent from February 1, 1982. Clearing Bank Deposit Rates for sums at seven days' notice 11 1/2-12 per cent. Clearing Bank Rates for lending 14 per cent. Treasury Bills: Average tender rates of discount 13.5122 per cent.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Jan. 29	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	14 1/8-14 5/8	13 1/2-14 1/2	14-15	9 3/4-9 7/8	3 3/4-4 1/4	9 7/8-10	14 7/8-15 1/8	18-21 1/8	13-15	5 5/8-5 7/8
7 days' notice	14 3/8-14 5/8	13 7/8-14 1/8	14-15	9 7/8-10	5 1/4-5 3/4	9 15/16-10 1/16	14 7/8-15 1/8	21 1/4-22 1/4	13 1/2-15 1/2	5 15/16-6 1/16
Month	14 1/16-14 3/16	14 1/8-14 5/8	14 1/4-14 5/8	9 15/16-10 1/16	8 1/16-8 3/16	10-10 1/8	15-15 1/4	21 7/8-22 7/8	16 1/2-17 1/2	6 1/16-6 3/16
Three months	14 1/8-14 1/4	14 5/8-14 3/4	14 7/8-15 1/8	10 1/16-10 3/16	8 1/16-8 3/16	10 1/16-10 3/16	15 5/8-15 7/8	22 1/2-23 1/8	18 1/2-19 1/2	6 1/2-6 5/8
Six months	14 3/8-14 5/8	14 7/8-15 1/8	15 3/8-15 5/8	10 1/8-10 1/4	8 5/8-8 3/4	10 1/8-10 1/4	16 5/8-16 7/8	23 1/8-23 3/4	18 3/4-19 3/4	6 1/16-6 3/16
One Year	14 5/8-14 7/8	15-15 1/4	15 7/8-16 1/8	10 1/4-10 3/8	8 1/4-8 3/8	10 1/16-10 3/16	17-17 3/8	23 3/8-23 3/4	17 1/2-18 1/2	6 1/16-6 3/16

SDR linked deposits: one month 12 1/2-12 7/8 per cent; three months 12 7/8-13 1/4 per cent; six months 13 1/8-13 1/2 per cent; one year 13 3/8-13 3/4 per cent.

ECU linked deposits: one month 13 1/4-13 5/8 per cent; three months 13 3/4-14 1/8 per cent; six months 14 1/8-14 1/2 per cent; one year 14 1/8-14 1/2 per cent.

Asian $ (closing rates in Singapore): one month 14 3/8-14 1/2 per cent; three months 14 9/16-14 11/16 per cent; six months 15 1/8-15 1/4 per cent; one year 15 5/16-15 7/16 per cent. Long-term Eurodollar two years 15 1/2-15 3/4 per cent; three years 15 5/8-15 7/8 per cent; four years 15 5/8-15 7/8 per cent; five years 15 7/8-16 1/8 per cent nominal closing rates.

The following rates were quoted for London dollar certificates of deposit: one month 13.95-14.05 per cent; three months 14.35-14.45 per cent; six months 14.60-14.70 per cent; one year 15.00-15.10 per cent.

CURRENCIES AND GOLD

Dollar mixed

The dollar improved against several currencies last week, including the Japanese yen and the members of the European Monetary System. It lost ground to sterling and the Swiss franc however amid confused trading reflecting doubts about the future direction of U.S. interest rates.

An unexpected rise in U.S. money supply pushed up the dollar on Monday, but this trend was reversed on Tuesday as New York and Eurodollar rates fell. Despite doubts about Federal Reserve Board policy on interest rates after its intervention in the Federal funds market, the foreign exchange market took heart from the statement by Mr Volcker, the Fed chairman, that there was no plan to raise the discount rate.

The dollar's trade-weighted index, as calculated by the Bank of England, rose to 109.8 from 109.3. It rose to DM 2.3155 from DM 2.3065 against the D-mark, and to FFr 5.8960 from FFr 5.87 against the French franc. The U.S. currency also rose to Y228.25 from Y227 against the Japanese yen, but fell to SwFr 1.8475 from SwFr 1.8525 against the Swiss franc.

Sterling rose 80 points to $1.8805-1.8815, and its trade-weighted index, on Bank of England figures, improved to 91.7 from 90.9. The pound fell to a low of $1.8480-1.8490 at the beginning of the week, but then rose fairly steadily, to a high point of $1.8880-1.8890 on Friday.

The Irish punt weakened slightly within the European Monetary System, but did not come under any heavy pressure after the defeat of the Irish Government. The Belgian franc fell sharply on Friday, and remained the weakest EMS member, considerably below any other currency, but still within its divergence limit. The French franc and Dutch guilder were almost level at the top of the system.

Gold rose $12 to $386 1/2-387 1/2, after showing a firmer trend for most of the week. It fell to a low point of $370-371 on Monday.

THE POUND SPOT AND FORWARD

Jan 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.8790-1.8890	1.8805-1.8815	0.03c pm-0.07dis	-0.13	0.07-0.17dis	-0.25
Canada	2.2480-2.2590	2.2500-2.2510	0.05-0.15c dis	-0.53	0.25-0.40dis	-0.58
Nethlnd.	4.76-4.80	4.77 1/2-4.78 1/2	1 3/4-1 1/4c pm	3.76	5 1/8-4 3/8 pm	4.08
Belgium	73.90-74.50	74.40-74.50	5-25c dis	-2.42	80-100 dis	-4.83
Denmark	14.23-14.29	14.27-14.28	1/2-7/8ore dis	-0.58	1 3/4-2 5/8 dis	-0.61
Ireland	1.2345-1.2430	1.2375-1.2400	0.29-0.41p dis	-3.39	1.02-1.18dis	-3.55
W. Ger.	4.34-4.37	4.35 3/4-4.36 3/4	1 5/8-1 1/2pf pm	3.79	4 5/8-4 1/2 pm	4.02
Portugal	126.00-127.50	126.15-126.45	33-150c dis	-8.69	117-385 dis	-7.95
Spain	185.20-185.70	185.30-185.50	3-25c dis	-0.94	35-60 dis	-1.02
Italy	2,330-2,339	2,331-2,333	13-16 lire dis	-7.48	44 1/2-47 1/2dis	-7.89
Norway	11.04-11.10	11.04 1/2-11.05 1/2	1ore pm-par	0.54	1 3/4-1/4 pm	0.45
France	11.05-11.10	11.08 3/4-11.09 3/4	1/2-1 1/2c dis	-0.95	3-4 dis	-1.26
Sweden	10.63-10.69	10.63 1/2-10.64 1/2	1 1/2-1 1/2ore pm	1.62	5 7/8-5 3/8 pm	2.09
Japan	426-435	429-430	2.85-2.55y pm	7.54	8.40-8.10 pm	7.68
Austria	30.40-30.60	30.42-30.47	14-11gro pm	4.93	37-30 pm	4.40
Switz.	3.46-3.49	3.47-3.48	1 3/4-1 1/2c pm	4.75	4 1/2-4 pm	4.89

Belgian rate is for convertible francs. Financial franc 82.45-82.55.
Six-month forward dollar 0.48-0.58c dis. 12-month 1.00-1.20c dis.

THE DOLLAR SPOT AND FORWARD

Jan 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8790-1.8890	1.8805-1.8815	0.03c pm-0.07dis	-0.13	0.07-0.17dis	-0.25
Ireland†	1.5190-1.5255	1.5190-1.5210	0.50-0.40c pm	3.55	1.35-1.20 pm	3.35
Canada	1.1954-1.1970	1.1955-1.1960	0.02-0.05c dis	-0.35	0.08-0.13dis	-0.35
Nethlnd.	2.5300-2.5400	2.5360-2.5400	0.91-0.81c pm	4.07	2.85-2.75 pm	4.41
Belgium	39.25-39.59	39.57-39.59	11-15c dis	-3.96	43-48 dis	-4.62
Denmark	7.5585-7.5800	7.5585-7.5635	1/4-1/2ore dis	-0.59	1/4-3/4 dis	-0.26
W. Ger.	2.3020-2.3175	2.3150-2.3160	0.75-0.70pf pm	3.76	2.50-2.45 pm	4.27
Portugal	67.10-67.30	67.10-67.30	20-80c dis	-8.93	80-200 dis	-7.74
Spain	98.15-98.40	98.25-98.35	10-20c dis	-1.83	25-40 dis	-1.32
Italy	1,237-1,242	1,240-1,242	7-7 1/2 lire dis	-7.14	23-25 dis	-7.75
Norway	5.8700-5.8870	5.8725-5.8825	0.35-0.10ore pm	0.46	1-1/2 pm	0.51
France	5.8625-5.8985	5.8935-5.8985	0.35-0.50c dis	-0.87	1.75-1.60dis	-1.00
Sweden	5.6510-5.6625	5.6525-5.6625	0.85-0.70ore pm	1.64	3.80-3.65 pm	2.63
Japan	227.60-228.50	228.20-228.30	1.50-1.35y pm	7.49	4.55-4.40 pm	7.84
Austria	16.16-16.19	16.17-16.18	6.80-5.70gro pm	4.64	20-17 pm	4.57
Switz.	1.8380-1.8480	1.8470-1.8480	0.85-0.75c pm	5.20	2.65-2.55 pm	5.63

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.8810	1.8812	1.8822	1.8863	1.8920
D-Mark	4.3575	4.3438	4.3138	4.2696	4.1843
French Franc	11.0875	11.0963	11.1225	11.1969	11.3343
Swiss Franc	3.4750	3.4613	3.4325	3.3810	3.2777
Japanese Yen	429.5	426.8	421.2	413.8	399.6

GOLD

	Jan. 29		Jan. 28	
Gold Bullion (fine ounce)				
Close	$386 1/2-387 1/2	(£205.3-205.8)	$383 1/4-384 1/4	(£204.6-205.1)
Opening	$389 1/2-390 1/2	(£206 1/2-207)	$381 1/2-382 1/2	(£204.3-204.8)
Morning fixing	$388.25	(£206.077)	$381.50	(£204.087)
Afternoon fixing	$387	(£205.305)	$383.50	(£204.688)
Gold Coins				
Krugerrand	$399-400	(£212 1/2-213)	$395-396	(£211-211 1/2)
1/2 Krugerrand	$205-206	(£109-109 1/2)	$203 1/2-204 1/2	(£108 3/4-109 1/4)
1/4 Krugerrand	$104 1/2-105 1/2	(£55 1/2-56)	$103 3/4-104 3/4	(£55 1/2-56)
1/10 Krugerrand	$42 3/4-43 3/4	(£22 3/4-23 1/4)	$42 1/4-43 1/4	(£22 1/2-23)
Mapleleaf	$400-401	(£212 1/2-213)	$396-397	(£211 1/2-212)
New Sovereigns	$95-95 1/2	(£50 1/2-50 3/4)	$94-94 1/2	(£50 1/4-50 1/2)
King Sovereigns	$108-109	(£57 3/8-57 7/8)	$107-108	(£59-59 1/2)
Victoria Sovs	$108-109	(£57 3/8-57 7/8)	$107-108	(£59-59 1/2)
French 20s	$92-102	(£48 3/4-54 1/4)	$92-102	(£49-54 1/2)
50 pesos Mexico	$478 1/2-483 1/2	(£254 1/4-256 1/4)	$475-478	(£253 1/2-255 1/4)
100 Cor. Austria	$376-379	(£199 3/4-201 1/4)	$373-376	(£199-200 3/4)
$20 Eagles	$513-518	(£272 1/2-275 1/4)	$504-509	(£269-271 3/4)

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU January 29	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7572	41.6745	+2.25	+1.20	±1.5368
Danish Krone	7.91117	8.01921	+1.37	+0.32	±1.6412
German D-Mark	2.40989	2.44390	+1.41	+0.36	±1.1077
French Franc	6.17443	6.21992	+0.74	-0.31	±1.3733
Dutch Guilder	2.66382	2.68384	+0.75	-0.30	±1.5063
Irish Punt	0.684452	0.695699	+1.64	+0.59	±1.6688
Italian Lira	1300.67	1311.46	+0.83	+0.56	±4.1229

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

Sterling/ECU rate for January 29 .... 0.561985

OTHER CURRENCIES

Jan. 29	£	$		£ Note Rates
Argentina Peso	18,976-18,997†	10,050-10,100†	Austria	30.35-30.65
Australia Dollar	1.7250-1.7300	0.9165-0.9175	Belgium	81 3/4-82 3/4
Brazil Cruzeiro	252.22-253.22	133.77-134.44	Denmark	14.21-14.55
Finland Markka	8.318-8.332	4.4190-4.4210	France	11.02-11.12
Greek Drachma	109.858-113.201	59.80-60.00	Germany	4.33 1/2-4.37 1/2
Hong Kong Dollar	10.88 1/4-10.89 3/4	5.7800-5.7850	Italy	2320-2450
Iran Rial	150.00*	80.20*	Japan	430-436
Kuwait Dinar (KD)	0.532-0.538	0.2837-0.2840	Netherlands	4.75-4.79
Luxembourg Fr	74.40-74.50	39.57-39.59	Norway	11.04-11.14
Malaysia Dollar	4.2775-4.2875	2.2725-2.2745	Portugal	126-133
New Zealand Dlr.	2.3320-2.3360	1.2390-1.2400	Spain	185-195
Saudi Arab. Riyal	6.42-6.48	3.4190-3.4210	Sweden	10.62-10.72
Singapore Dollar	3.9050-3.9150	2.0745-2.0765	Switzerland	3.46-3.50
Sth. African Rand	1.8275-1.8295	0.9715-0.9725	United States	1.87 3/4-1.89 3/4
U.A.E. Dirham	6.90-6.96	3.6710-3.6730	Yugoslavia	98-104

† Now one rate. * Selling rate.

CURRENCY MOVEMENTS

Jan. 29	Bank of England Index	Morgan Guaranty Changes%
Sterling	91.7	-32.5
U.S. dollar	109.8	+2.8
Canadian dollar	86.7	-16.6
Austrian schilling	116.7	+24.6
Belgian franc	104.3	+7.6
Danish kroner	86.1	-11.3
Deutsche mark	121.8	+43.5
Swiss franc	153.5	+104.0
Guilder	114.2	+19.8
French franc	80.0	-18.2
Lira	55.1	-57.7
Yen	141.2	+35.5

Based on trade weighted changes from Washington agreement December, 1971. Bank of England index (base average 1975=100).

CURRENCY RATES

Jan. 29	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.609419	0.561985
U.S. $	12	1.14784	1.05934
Canadian $	14.59	1.37562	1.26667
Austria Sch.	6 3/4	18.5824	17.1348
Belgian F.	14	45.1245	41.6745
Danish Kr.	11	8.68111	8.01921
D mark	7 1/2	2.64979	2.44390
Guilder	8 1/2	2.90863	2.68384
French Fr.	9 1/2	6.74356	6.21992
Lira	19	1421.05	1311.46
Yen	5 1/2	264.577	241.816
Norwgn. Kr.	9	6.75963	6.22638
Spanish Pts.	8	113.005	104.292
Swedish Kr.	11	6.48644	5.99216
Swiss Fr.	6	2.11719	1.95395
Greek Dr'ch.	20 1/2	—	62.9513

EXCHANGE CROSS RATES

Jan. 29	Pound St'rling	U.S. Dollar	Deutschem'k	Japan'se Yen	FrenchFranc	Swiss Franc	Dutch Guild'	Italian Lira	Canadia Dollar	Belgian Franc
Pound Sterling	1	1.881	4.358	429.5	11.088	3.475	4.780	2332.	2.251	74.45
U.S. Dollar	0.532	1.	2.317	228.3	5.894	1.847	2.541	1240.	1.196	39.58
Deutschemark	0.229	0.432	1.	98.57	2.544	0.797	1.097	535.2	0.516	17.09
Japanese Yen 1,000	2.328	4.380	10.15	1000.	25.81	8.091	11.13	5430.	5.240	173.5
French Franc 10	0.902	1.697	3.930	387.4	10.	3.134	4.311	2103.	2.030	67.15
Swiss Franc	0.288	0.541	1.254	123.6	3.191	1.	1.376	671.1	0.648	21.42
Dutch Guilder	0.209	0.394	0.912	89.85	2.320	0.727	1.	487.9	0.471	15.58
Italian Lira 1,000	0.429	0.807	1.869	184.2	4.755	1.490	2.050	1000.	0.965	31.93
Canadian Dollar	0.444	0.836	1.936	190.8	4.927	1.544	2.124	1036.	1.	33.08
Belgian Franc 100	1.343	2.527	5.853	576.9	14.89	4.668	6.421	3133.	3.023	100.

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

THE TRING HALL USM INDEX
117.8 (+1.3)
close of business 29/1/82
BASE DATE 10/11/80 100
Tel: 01-638 1591

CORAL INDEX: Close 577-582 (+6)

FT UNIT TRUST INFORMATION SERVICE

OFFSHORE & OVERSEAS FUNDS

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

L & C Unit Trust Management Ltd.,
The Stock Exchange, London EC2N 1HA 588 2800

L&C Inc. Fund	168.9	174.2	.....	4.87
L&C Intl & Gen Fd	128.1	132.1	.....	1.67

Legal & General (Unit-Tst., Mngrs.) Ltd.
5 Rayleigh Rd., Brentwood 0277 217238

Equity Dis.	98.3	106.3	+1.5	4.34
Equity Acc.	137.8	149.0	+2.2	4.34
Gilt	119.2	125.5	+2.0	7.44

Leonine Administration Ltd.
2, St. Mary Axe, EC3A 8BP. 01-623 6114.

Leo Distribution	125.3	133.0	.....	0.43
Leo Accum.	148.3	157.4	.....	0.43

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)
Registrar's Dept., Goring-by-Sea, Worthing, West Sussex. 01-623 1288

Balanced	77.3	85.2	+1.7	4.43
Do. (Accum.)	124.3	133.6	+2.7	4.43
Energy Int.	41.8	44.9	+1.0	2.18
Do. (Accum.)	42.5	45.6	+0.9	2.18
Extra Income	64.9	69.7	+1.2	8.45
Do. (Accum.)	92.3	99.2	+1.7	8.45
Income	103.0	110.7	+1.9	6.73
Do. (Accum.)	169.6	182.3	+3.0	6.73
Int. Technology	79.0	84.9	+1.3	0.43
Do. (Accum.)	80.4	86.4	+1.3	0.43
N. American & Gen.	47.7	51.2	+1.4	1.20
Do. (Accum.)	49.0	52.6	+1.4	1.20
Pacific Basin	47.6	51.1	−0.4	0.94
Do. (Accum.)	47.9	51.5	.....	0.94
Small Cos. & Recy.	59.8	64.3	+0.8	2.82
Do. (Accum.)	62.7	67.4	+0.8	2.82
Worldwide Gwth.	88.5	95.1	+1.4	2.18
Do. (Accum.)	119.0	127.9	+1.8	2.18

Lloyd's Life Unit Tst. Mngrs. Ltd.
2, St. Mary Axe, EC3A 8BP. 01-623 6114

Equity Accum. (2)	281.5	296.3	.....	4.02

Local Authorities' Mutual Invest. Tst.*
77, London Wall, EC2N 1DB. 01-588 1815

Property Fd. Dec. 31	158.50	.....	6.77
Wider Fund Dec. 31	280.25	.....	5.05
Narrower Fd. Dec. 31	70.05	.....	14.57

*Unauthorised. Available only to Local Authorities.

M & G Group (y)(c)(z)
Three Quays, Tower Hill, EC3R 6BQ. 01-626 4588

INSURANCE PROPERTY BONDS

NOTES

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

Building Societies

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCE

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LEISURE

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEWSPAPERS, PUBLISHERS

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PAPER, PRINTING ADVERTISING

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PROPERTY

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PROPERTY—Continued

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SHIPPING

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SHOES AND LEATHER

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOUTH AFRICANS

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TEXTILES

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOBACCOS

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INVESTMENT TRUSTS—Cont.

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Finance, Land, etc.

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OIL AND GAS

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OIL AND GAS—Continued

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVERSEAS TRADERS

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RUBBERS AND SISALS

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TEAS

India and Bangladesh

Sri Lanka

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MINES—Continued

Central African

Australian

Tins

Copper

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
—		Anglo-Dominion	25	—	—	—	—
	May	Burma Mines 10p	14	30.3	0.75	0.9	7.7
—		Colby Res. Corp.	95	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c.	290	23.12	Q60c	ϕ	11.0
—		††Explaura Gold	7½	—	—	—	—
—		††Hemerdon 10c.	63	—	—	—	—
—		Highwood Res.	85	—	—	—	—
—		Northgate C$1	215	9.77	—	—	—
Jan.	July	R.T.Z.	465	23.11	16.0	2.3	4.9
Jan	July	Do.9½%CnvLn.'85-2000	£106½	9.11	Q9½%	—	19.9
—		††SPO Minerals 10p	18	—	—	—	—
—		Sabina Inds. C$1	16	—	—	—	—
—		✱Southwest C. 10p	30	—	—	—	—
—		Tara Exptn. $1	425	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- ✱ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ★★ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+/-
Albany Inv. 20p	42	+1
Bertrams	17	......
Bdg'wtr. Est. 50p	415	......
Craig & Rose £1	£12¾	......
Finlay Pkg. 5p	26½	+½
Graig Ship. £1	£25	......
Higsons Brew	68	−2
Holt (Jos) 25p	550	+5
I.O.M. Stm. £1	142	−8
Pearce (C. H.)	£10⅛	+⅛
Peel Hldgs.	116	......
Sheff. Refrshmt.	85	......
Sindall (Wm.)	200	......

IRISH

Stock	Price	+/-
Conv. 9% '80/82	£94½	......
Nat. 9¾% 84/89	£64½	......
Fin. 13% 97/02	£72⅞	......
Alliance Gas	75	......
Arnott	230	......
Carroll (P.J.)	77	......
Concrete Prods.	90	......
Heiton (Hldgs.)	29	......
Irish Ropes	37	......
Jacob	61	......
T.M.G.	13	......
Unidare	55	−5

OPTIONS

3-month Call Rates

Industrials

Stock	Rate
Allied-Lyons	6½
BOC Intl.	11
B.S.R.	7½
Babcock	9
Barclays Bank	36
Beecham	17
Blue Circle	38
Boots	18
Bowaters	19
Brit. Aerospace	17
B.A.T.	28
Brown (J.)	8
Burton Ord.	12
Cadburys	8
Courtaulds	5½
Debenhams	7
Distillers	16
Dunlop	6½
Eagle Star	25
F.N.F.C.	4
Gen. Accident	30
Gen. Electric	55
Glaxo	32
Grand Met.	15
G.U.S. 'A'	36
Guardian	30
G.K.N.	12
Hawker Sidd	25
House of Fraser	13
I.C.I.	18
"Imps"	5
I.C.L.	5
Ladbroke	13
Legal & Gen.	20
Lex Service	9
Lloyds Bank	28
"Lofs"	3½
London Brick	6½
Lucas Inds.	18
"Mams"	11
Mrks. & Spncr	10
Midland Bank	25
N.E.I.	7
Nat. West. Bank	30
P & O Dfd.	9
Plessey	26
Racal Elect.	34
R.H.M.	7
Rank Org. Ord.	14
Reed Intl.	23
Sears	5
Tesco	5
Thorn EMI	30
Trust Houses	11
Tube Invest.	32
Turner & Newall	7½
Unilever	50
Utd. Drapery	6½
Vickers	15
Woolworths	4½

Property

Stock	Rate
Brit. Land	7
Cap. Counties	10
Land Secs.	30
MEPC	20
Peachey	15
Samuel Props.	13
Town & City	2¼

Oils

Stock	Rate
Brit. Petroleum	28
Burmah Oil	11
Charterhall	6
KCA	19
Premier	7
Shell	28
Tricentrol	25
Ultramar	40

Mines

Stock	Rate
Charter Cons.	21
Cons. Gold	40
Lonrho	7
Rio T. Zinc	45

"Recent Issues" and "Rights" Page 22

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES

Monday February 1 1982

UK gives Indonesia £125m credit

BY RICHARD COWPER IN JAKARTA

LORD CARRINGTON, the Foreign Secretary, signed Britain's biggest ever trade credit to Indonesia at the weekend.

He is in Jakarta on the first leg of a two-week tour of countries belonging to the Association of South-East Asian Nations (Asean).

He also lent weight to a British industry bid to boost trade and investment with Asean's largest and potentially richest nation.

The credit agreement will provide up to $225m (£125m) to help pay for a $1bn (£550m) expansion of Indonesia's oil refinery at Balikpapan in East Kalimantan. The British subsidiary of the American-owned Bechtel group won the contract to construct a 200,000-barrels-per-day refinery expansion last year following the successful solution of a major trade dispute between Britain and Indonesia over textile quotas.

Announcing the deal Lord Carrington said Britain had a skirmish in Indonesia in 1980 over textile imports, but that now relations between the two countries had never been better.

"More than 100 British firms will supply a wide variety of goods for Bechtel (Great Britain) the main contractors. I think this is a striking example of the increasing competitiveness of British financial services and of British manufacturers," he said.

The credit negotiations were conducted by Lloyds Bank International with support from the British Government through the Export Credits Guarantee Department (ECGD), and the interest rate is understood to be 7¾ per cent over 10 years.

The largest single British subcontract connected with the refinery expansion was won recently by Farmers Boilers, which will supply furnaces worth £19m.

Lord Carrington brought with him seven prominent British businessmen who are battling for Indonesian contracts worth more than $3bn.

Earlier, in a speech hosted by the Indonesian Foreign Minister he said that they had the British Government's "wholehearted support" in their attempts to build on their existing involvement in Indonesia. There was undoubted "potential for increasing many times" the interchange of goods and services

Lord Carrington and the seven businessmen had economic talks with Professor Dr Subroto, Indonesia's Minister for Mines and Energy and Professor Sumarlin, one of Indonesia's most senior economic planners.

The chairman of Davy Corporation, Balfour Beatty, and British Aerospace, were among the businessmen.

British Aerospace is also understood to be hoping to increase its sales of Hawker Siddeley jet trainers to Indonesia which has already bought about a dozen in the last year. British officials said they are optimistic about prospects for further sales.

Opportunities for British energy and industrial executives was one of the topics discussed. The British engineering company of Davy Corporation is bidding for a cold steel rolling mill as part of an extension to Indonesia's $2.5bn Krakatau Steel Works.

The contract could be worth about $400m.

Hill Samuel to make S. African changes

BY CHRISTINE MOIR IN LONDON AND BERNARD SIMON IN JOHANNESBURG

HILL SAMUEL, the UK merchant bank and financial services group, is to relinquish control of its 71.5 per cent-owned South African subsidiary and merge it with a more broadly based financial services group in which it will own 40.6 per cent.

The company said yesterday that it intends to take over Board of Executors, a Capetown financial group with interests ranging from administration of trusts, to participating mortgage business, money market operations and a small Port Elizabeth commercial bank, Fidelity Bank, which specialises in instalment credit and leasing.

The takeover would leave Hill Samuel, which has a net worth of R18m compared with Board of Executors' R10m or so, as the senior partner in the new company.

However, in a further stage, Southern Life Association, a leading South African insurance company, is to increase its holding in Board of Executors' ultimate parent to 30 per cent. The cash injection will be used to buy a further 15 per cent in the expanded Hill Samuel Group.

As a result, Board of Executors will own 46.5 per cent, Hill Samuel 40.6 per cent, with the South African public owning the remaining 12.9 per cent.

The transactions are aimed at improving Hill Samuel's market penetration in South Africa and getting it back into a growth position after the plateau it appears to have reached.

In the year to March 1979, Hill Samuel SA made pre-tax profits of R2.2m in its first year under the direction of Mr Christopher Castleman. By March 1980 this had grown to R3.4m and by March 1981 to R4m when Mr Castleman returned to the UK as group chief executive.

In the first half of the current financial year pre-tax profits dropped from R2.16m to R1.86m. Mr Castleman said yesterday that full year profits could be somewhat below R4m.

Three years ago Hill Samuel pulled out of insurance broking and pensions administration in South Africa to concentrate on merchant banking. But Mr Castleman said yesterday that the group now saw better growth prospects through becoming a "smaller part of a larger group."

In any case, under local banking regulations, Hill Samuel would probably have had to reduce its British ownership to 50 per cent by 1986.

That would still have left it having to operate under British banking ratios which are more stringent than those applying in South Africa. In addition, Mr Castleman said both Board of Executors and Fidelity had unutilised capital which could increase lending capacity and ease further capital raising.

The banking operation will still be known as Hill Samuel and will be headed by Mr Richard Crick, managing director of Hill Samuel SA. Mr Neil Chapman, chief executive of Board of Directors, will be overall chief executive of the new group.

Prior begins new talks on Ulster initiative

By Brendan Keenan in Dublin

MR JAMES PRIOR, the Northern Ireland Secretary, will begin a new, and possibly final, round of talks with Ulster politicians today. He still faces a wide gap between the parties in trying to frame a new political initiative.

There is surprise in Ulster about the suggestion that a Governor of Northern Ireland might be reappointed. The suggestion has not occurred in any of the discussions so far.

Unionists are attached to the office of Governor because he represented the Crown but, by the same token, Nationalists regarded him as a divisive symbol. It is thought unlikely that Mr Prior would wish to raise the issue when he has so many other political difficulties.

Among these is the demand by the Social Democratic Labour Party for a significant Irish dimension in any initiative. It has suggested the establishment of a parliamentary tier to the inter-governmental Anglo-Irish Council and have suggested that security powers be devolved to the Council.

This is in line with the position taken by the SDLP at the Sunningdale negotiations in 1973 when it wanted a security role for a Council of Ireland as a way of making the security forces acceptable to Northern Catholics.

The Official Unionists, who meet Mr Prior today are believed to have had difficulties in deciding whether to proceed with the discussions.

In the event, they are expected to tell Mr Prior that they are opposed to any role for the minority beyond the representation on committees proposed in the Northern Ireland Convention Report. They will resist any "undemocratic system"—a phrase which would include power sharing and possibly weighted majorities.

Editorial comment, Page 14

Tebbit Bill faces union challenge

BY BRIAN GROOM, LABOUR STAFF

LEADERS of Britain's three largest trade unions yesterday gave the clearest threat so far that strikes will be used to overturn Mr Norman Tebbit's Employment Bill if it becomes law.

Mr Moss Evans, general secretary of the Transport Workers, Mr Terry Duffy, president of the Engineers, and Mr David Basnett, general secretary of the General and Municipal Workers, were interviewed on ITV's Weekend World programme, along with Mr Bill Sirs of the Iron and Steel Trades Confederation.

All four, who normally represent a considerable spread of opinion, were united in predicting a confrontation over Mr Tebbit's proposed law, which would expose union funds to civil suits for damages and would attempt to weaken the closed shop.

Mr Basnett expressed confidence that a series of strikes would overturn the law. Among proposals being considered by the TUC for fighting the Tebbit Bill is a GMWU plan for the TUC to co-ordinate protest action throughout an entire industry if one employer in that industry sues a union.

Mr Duffy said that, sadly, "the whole of the trade union movement could become involved in a national strike."

Mr Evans said the unions would find themselves "in the same sort of uncharted minefield that we found ourselves in with the 1971 Industrial Relations Act."

He said strikes against Mr Tebbit's provisions would be political only in so far as the Employment Secretary was setting out to define legitimate trade union aims as criminal.

But he agreed there would be strikes "if there is a positive desire on the part of 13m trade unionists in Britain' on matters beyond pay and conditions.

Mr Tebbit, interviewed separately, said it was "very doubtful" that union leaders would be able to bring their members out in opposition to the legislation.

"You see, the legislation doesn't hit at the rights of individual trade unionists. It may have some implications for the corporate bodies, for the bureaucracies of trades unions, but not the individual members."

Mr Duffy said that "when we request our people to show their loyalty to the trade union movement, that loyalty will be forthcoming."

U.S. 'has no allies' in United Nations

By Our Washington Correspondent

THE U.S. is "without reliable allies," and is ignored, despised and reviled in the United Nations, according to Mrs Jeanne Kirkpatrick, chief U.S. delegate to the UN.

The Soviet Union has more influence with the developing countries than the U.S., Mrs Kirkpatrick said, partly because it exacts a "price for disagreement," something that the U.S. has never done.

Mrs Kirkpatrick's remarks, made in a television interview which marked the completion of her first year at the UN, reflect the growing hostility of the Reagan Administration to the way the UN is organised and to the rising influence of small developing countries which are opposed to U.S. interests in many international organisations.

Her comments follow a recent warning from senior Administration officials that the State Department would keep records of the way countries voted at the UN on issues affecting U.S. interests. This has been interpreted as an implied threat that countries which consistently defy the U.S. on major issues may suffer when it comes to their economic relationships with the U.S.

Mrs Kirkpatrick said that the trouble with U.S. tactics at the UN had been that "we are a country without a party. We have many good friends and no allies, no reliable allies at the UN."

She also deplored the fact that Israel is regarded as "a pariah" in the UN and commented that there is concern in certain UN delegations about the number of Jews in the U.S. mission.

U.S. rates

Continued from Page 1

and with the expected budget deficit of between $90bn and $100bn.

However, Fed officials have frequently warned that some of the technical changes which Mr Regan appears to favour to improve short-term control of monetary aggregates would in fact make interest rates even more volatile than they are now.

The ambiguous signals on monetary policy coming from the Administration were underlined yesterday by Mr David Stockman, the Budget Director, who said in another television interview, that the Administration would "not want to see the Fed retreat or backtrack" now that the "inflationary spiral has been broken."

Both Mr Stockman and Mr Regan are believed to have advised the President to increase taxes in the forthcoming budget to narrow the budget deficit and reduce the pressure on credit markets.

The Fed believes that this is the necessary condition for a significant fall in interest rates.

But Mr Regan said yesterday that the P resident had decided, as part of his proposal for transferring Federal responsibilities to the states that "borrowing instead of taxing was equally as good an option," w hen the President's advisers had suggested that tax increases might be tied in with the new federalism

Mr Regan said that he now agreed with the President. Both he and Mr Stockman said that the large budget deficits were partly a reflection of the Administration's success in curbing inflation. This accounts for a $25bn reduction in revenues by fiscal 1984.

Mr Regan also said that the deficit projections to be published, in the next week's budget would be based on "very conservative" forecasts of economic growth.

Mail City Editor on £¼m salary

By Christine Moir

MR PATRICK Sergeant, city editor of the Daily Mail and a director of Associated Newspapers Group, the Mail's ultimate parent, received a total salary of £255,646 in the year to last September.

The report and accounts of ANG, published over the weekend, show that the salary of Mr Sergeant, the highest paid director in the group, rose by £112,104 during the year.

Mr Sergeant receives most of his earnings from Euromoney Publications, which publishes the Euromoney magazine. He is not only a director of EP and its overseas subsidiary, but he also owns a small number of management shares.

When the magazine was set up 300 special management shares were created with the right to half the pre-tax profits distributed as a bonus. Mr Sergeant has sold all but 36 of his original 150 management shares

Weather

UK TODAY

MOSTLY dry and rather cloudy with some sunny intervals. Very mild.

London, S.E., E., N.E. England
Mostly dry. Max 12C (54F).

S.W., N.W. England, Wales, S.W. Scotland
Generally cloudy, sunny intervals inland. Max 12C (54F).

Rest of Scotland, N. Ireland
Occasional rain or drizzle. Max 11C (52F).

Outlook: Dry and bright in many parts, some rain in North and West.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	14	57	London	C	11	52
Algires	S	17	63	L.Ang.†	F	8	46
Athens	S	15	59	Luxmbg.	C	6	43
Bahrain	S	21	70	Luxor	C	20	68
Barclna.	S	13	55	Madrid	S	9	48
Beirut	T	11	52	Majorca	S	18	64
Belfast	C	9	48	Malaga	S	15	59
Belgrd.	R	7	45	Malta	R	15	59
Berlin	F	2	36	M'chstr.	C	9	48
Biarritz	C	9	48	Mex. C.†		—	—
Bmghm.	S	11	52	Miami†	F	23	73
Blackpl.	C	7	45	Milan	S	14	57
Bordx.	C	8	46	Montrl.†	F	−13	9
Boulgn.	C	7	45	Moscow	Sn	−6	21
Bristol	S	11	52	Munich	R	3	37
Brussels	C	7	45	Nairobi	S	29	84
Budpst.	C	6	43	Naples	C	13	55
Cardiff	C	8	46	Nassau		—	—
Cas'b'ca	F	16	61	Nwcstl.	C	10	50
Cape.T.	F	24	75	N York†	C	4	39
Chicg.†	C	−7	19	Nice	S	14	57
Cologne	C	7	45	Nicosia	C	13	55
Cpnhgn.	S	1	34	Oporto	S	14	57
Corfu	S	14	57	Oslo	S	−1	30
Denver†	F	−5	23	Paris	C	10	50
Dublin	C	10	50	Perth	S	33	91
Dbrvnk.	S	12	54	Prague	F	1	34
Ednbgh.	C	10	50	Rykjvk.	C	3	37
Faro	S	16	61	Rhodes	S	13	55
Florence	C	10	50	Rio J'o†		—	—
Frankft.	F	5	41	Rome	S	13	55
Funchal	F	20	68	Salzbrg.	R	5	41
Geneva	S	9	48	S'cisco†	F	5	41
Gibrltr.	S	18	64	S'tiago†		—	—
G'lsg'w	C	9	48	Stckhm.	Sn	—	16
G'msey	C	9	48	Strasbg.	C	8	46
Helsinki	Sn	−3	27	Tangier	S	16	61
H. Kong	S	20	68	Tel Aviv	C	13	55
Inssbrk.	R	7	45	Tenerife	S	19	66
Invrnss.	C	8	46	Tokyo	F	6	43
I.o.Man	C	9	48	T'r'nto†	C	−7	19
Istanbul	C	6	43	Tunis	S	15	59
Jersey	C	11	52	Valencia	S	16	61
Jo'burg	T	18	64	Venice	S	1	34
L. Plms.	S	21	70	Vienna	F	3	37
Lisbon	S	11	52	Warsaw	C	−2	28
Locarno	S	17	63	Zurich	C	6	43

C—Cloudy. F—Fair. R—Rain. S—Sunny. Sn—Snow. T—Thunder. † Noon GMT temperatures.

British Gas seeks French supplies

BY RAY DAFTER, ENERGY EDITOR

THE British Gas Corporation has begun crucial negotiations for new North Sea gas supplies. They will provide an acid test of government pricing policies.

The corporation seeks deliveries of natural gas from a French-operated field in the knowledge the Government wants to raise prices to encourage a faster pace of exploration and production.

Top-level negotiations have begun with Compagnie Française des Pétroles (Total) and Elf-Aquitaine. These companies hold the majority share of oil and gas reserves in the North Alwyn field, 110 miles east of the Shetland Islands in the British sector of the North Sea.

The price agreed will not only set the tone of negotiations with other potential gas suppliers, it will reflect the corporation's attitude to the Government's initiative.

It is expected British Gas will pay between 20p and 25p a therm, more than twice the average price now being paid for supplies.

Gas-industry observers said at the weekend an agreement of about 25p a therm would indicate the corporation was prepared to accede to the producers' plea for greater incentives. On the other hand, a settled price of about 20p would demonstrate a continuation of the corporation's previous tough stance on pricing.

To create more competition and more market-related pricing for supplies, Mr Nigel Lawson, Energy Secretary, is pushing through the Oil and Gas (Enterprise) Bill. The Bill will break the Gas Corporation's monopoly right to supplies. Producers, like Total and Elf, would be free to sell their gas directly to factories in the UK.

The North Alwyn negotiations are the first to be influenced by this legislation. The field is expected to be exploited at a cost of about £1.5bn with production beginning in the second half of the 1980s.

According to industry estimates, recoverable gas reserves are between 750bn and 1,000bn cubic feet. In addition, the field is thought to contain between 110m and 150m barrels of recoverable oil.

It is understood that Total and Elf are putting the finishing touches to a formal development application to the Energy Department. These plans will probably also involve a portion of the field's reserves which lie in Texaco's block 3-4 immediately north of the Total-Elf concession.

Gas from the North Alwyn field will be transported ashore by means of the existing Frigg field gas-line in which Total and Elf have major interests.

British Gas is expected to agree terms on the basis of gas delievered at the St Fergus terminal in Scotland. The agreed price will rise, and perhaps fall, in line with the movement of other fuel prices.

British Gas pays about 10p a therm for its North Sea supplies. Producers of gas in the mature fields of the southern sector of the North Sea are thought to be receiving an average of 5p to 6p a therm although some companies are still being paid much less.

In the more recently developed fields in the northern sector of the North Sea, producers are thought to be receiving up to 18p to 19p a therm. A base price of 16.5p a therm is thought to have been agreed recently by British Petroleum, the producer of Magnus field gas, and the Gas Corporation.

British Petroleum has been among the offshore companies seeking a minimum price for new supplies of at least 25p a therm. The companies claim that higher prices are needed to justify exploration and development expenditure.

Soviet gas, Page 2;
Exploration Programme, Page 4

THE LEX COLUMN

Merchant bankers up in arms

"THERE ARE many in the City and elsewhere who regard the Council for the Securities Industry as a fifth wheel on the coach with little prospect of ever becoming anything more useful." Thus Professor Jim Gower in his document on investor protection last week—and many would put it a lot more strongly than that. Some senior merchant bankers now regard the CSI as a disaster—on a scale that could threaten the whole process of self-regulation in the securities market.

The many changes levelled against the CSI include the suggestion that it reacts to changing market practices by piling rule upon rule, in a stifling and confusing manner. Behind this lies the notion that the CSI is ill-equipped to deal with the complexities of the corporate finance market. There also seems to be an old fashioned personality clash between senior council figures and the practitioners.

Another bone of contention is the CSI's keenness to publish codes of conduct. Professor Gower echoed a common view when he suggested that such codes encouraged loose drafting, since a degree of imprecision whcih would be unacceptable in rules is thought to suffice in codes of conduct. If a code is described as minimum standard of behaviour, there is a danger that the minimum will become the norm.

The particular bone of contention right now is the CSI's new rules on buying shares during a takeover. These, typically, seem to attack the symptons rather than the disease and protect poor managements as much as innocent shareholders.

There was a genuine problem to be tackled here in that the readiness of fund managers to sell shares in market raids was making it possible for companies to change hands in a matter of hours. But instead of putting the pressure on fund managers to behave responsibly, the CSI chose to introduce further constraints on a bidder's freedom to buy shares in the market.

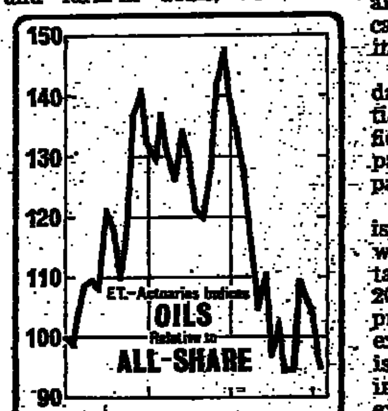
It has also thrown in a rule covering the treatment of irrevocable acceptances which has already got the backroom boys looking for loopholes. These will presumably be plugged with yet more rules.

Not everyone feels as strongly as the issuing houses. The investing institutions, for instance, seem to have gone along quite happily with the latest rules, which in some ways will make their lives easier.

But it is a serious matter for the CSI to have lost the confidence of leading practitioners in the market. The Takeover Panel succeeded partly because it was seen to be in everyone's interest for it to work. Self-regulation depends on a consensus approach, and could be in trouble if that really has disappeared.

North Sea

The North Sea goats are being sorted from the sheep. As the cash pressures among the exploration companies build up, the sector is likely to see a further round of rights issue and farm-in deals, while tax



considerations give an added incentive for concluding mergers. The pressures have been reflected in the stock market, where there has been a sharp downrating of some of the vulnerable companies.

As if softer oil prices were not enough, the North Sea exploration companies also have to contend with a slowdown in Government development approvals, which pushes their prospective cash flows further into the future. Moreover, exploration costs have probably doubled in the past three years, so some of the smaller companies are finding themselves outclassed by the scale of their obligations.

The tax regime provides a heavy inducement for mergers. There is nothing companies can do on this front to duck PRT and SPD, but the corporation tax ring fence surrounds the whole of the North Sea. So companies can offset exploration and development costs against the profits from any UK offshore producing field.

The 1979 Lasmo/Oil Exploration deal was one of the first tax-encouraged mergers. Lasmo was moving towards heavy cash flow from Ninian while Oil Ex had a variety of exploration and development projects in hand. In recent months similar tax considerations have played an important part in other deals—notably the Clyde purchase of two oil businesses from City Investing and the Candecca/Tarmac arrangement.

The prime candidate for takeover are those companies short of cash with heavy liabilities such as fields to develop. An added urgency exists where licences oblige them to finance exploration drilling programmes. Companies with heavy past expenditure programmes—possibly unsuccessful — could also be attractive, since they carry with them the corresponding tax losses.

On the other side, the predators will have actual or potential cash flow from producing fields to shelter, and will be particularly attracted to companies with promising acreage.

In a buyers' market, there is unlikely to be much in the way of premium paid in any takeovers. Oil Ex went for a 20 per cent premium on the price ruling before there were expectations of a bid, and that is likely to look generous. So, in contrast to normal takeover experience, the shareholders in predator companies are likely to do better than those of the victims.

Certainly, this is the message of the stock market. Charterhouse Petroleum, for instance, is an obvious predator, with £30m of cash and a corporation tax liability about to be created by Thistle revenues. It is standing within 15 per cent of its 1981 high, comfortably outperforming the oil index. Other exploration stocks in a similar position include Candecca and Carless Capel.

By contrast, Pict Petroleum with its tax losses, and Atlas Energy, which is facing the heavy costs of exploration in Irish waters, are both standing at below a third of their 1981 highs. But the share price of Berkeley Exploration, which is short of cash and whose prospective earnings from its attractive assets have been pushed further and further into the future, is somehow defying gravity.

Registered at the Post Office. Printed by St. Clement's Press for and published by the Financial Times Ltd., Bracken House, Cannon Street, London EC4P 4BY.